Pirelli & C. S.p.A.

Shareholders' Meeting of 29 June 2023

Appointment of the Board of Directors

As specified in the call notice, the Shareholders' Meeting will only be called upon to resolve on the Appointment of the Board of Directors (and the additional subsequent items on the agenda related thereto) if the postponement of item 2 on the agenda is not approved by the same (more information is available in the relevant reports prepared by the Directors).

Shareholders who wish to submit a list for the appointment of the members of the Board of Directors 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:

- Article 10 of the Company's Bylaws
- Articles 2382 and 2390 of the Italian Civil Code
- Excerpt from the Legislative Decree 24 February 1998 n. 58 (Consolidated Law on Finance) - articles 147-ter, 147-quinquies and 148
- Excerpt from Regulation implementing Italian Legislative Decree No.58 of 24 February 1998, concerning the discipline of issuers (Consob resolution No. 11971 of 14 May 1999 subsequently amended)
- Excerpt Legislative Decree of the Minister of Justice 30 March 2000 n. 162 (only Italian version available)
- Excerpt from the Corporate Governance Code for the Listed Companies - edition January 2020 (articles 1, 2, 3, 4 and 5)
- Consob Communication DEM/9017893 dated 26 February 2009 "Appointment of the members of administration and supervisory entities (only Italian version available)

as well as the following guidelines approved by the Board of Directors of Pirelli & C. S.p.A. and available in the "Governance" section of the Pirelli website:

- Pirelli & C. S.p.A. - Guidelines of the Board of Directors towards the maximum number of appointments considered compatible with the effective performance of the role of director of the Company
- Guidelines of the Board of Directors of Pirelli & C. S.p.A. to shareholders on the qualitative - quantitative composition of the Board of Directors for the three-year period 2023-2025

ARTICLE 10 OF THE BYLAWS OF PIRELLI & C. S.p.A.
https://corporate.pirelli.com/corporate/it-it/governance/statuto-e-atto-costitutivo/statuto

Article 10
10.1 The Company shall be managed by a Board of Directors composed of up to fifteen members who shall remain in office for three financial years and may be re-elected.
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 shareholders, signed by those submitting them, must be filed at the registered offices of the Company at least twenty-five days prior to the date fixed for the Meeting called to resolve on the appointment of Board members. 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 contribute to the presentation of just one slate and each candidate may be included in just one slate, subject otherwise to becoming ineligible.
10.5 Only shareholders who, alone or together with other shareholders, hold a total number of shares representing at least 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 Each slate filed must be accompanied by acceptances of nomination and declarations from each candidate confirming, under their own responsibility, that there are no reasons making them ineligible for or incompatible with the role, and that they satisfy any requirements established for the role concerned. 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. In order to ensure gender balance, slates that contain a number of candidates equal to three must include candidates of different genders, while the slates containing a number of candidates equal to or higher than four 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 (A) 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 7 candidates on the various slates are ranked in a single list in decreasing order. Those who have obtained the highest quotient are elected. Should several candidates obtain the same quotient, the candidate elected will be drawn from the slate that has not yet elected a director or that has elected the smallest number of directors. 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. (B) If only one slate is presented, all directors shall be elected from the only slate that was presented.

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 last appointed candidate of the more represented gender indicated 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.

10.11 Should application of the slate voting mechanism not obtain the minimum number of independent directors envisaged by the laws and/or regulations in force, the non-independent candidate elected indicated with the highest progressive number in the slate that obtained the largest number of votes shall be replaced by the first independent candidate not already elected from that slate following the sequential order of presentation, and so on for each slate until the minimum number of independent directors has been obtained, in all cases in compliance with the laws and/or regulations governing gender balance in force at the time.

10.12 When appointing directors who, for whatsoever reason were not appointed under the voting procedure established herein, the shareholders' meeting shall vote on the basis of the majorities required by law, without prejudice, whatever the circumstances, to the requirements of independence set forth by these Bylaws and to the compliance with the gender balance as provided by law and/or regulation in force at the time.

10.13 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. Whenever the majority of the members of the Board of Directors elected by the Shareholders' Meeting leaves office for any cause or reason whatsoever, the remaining Directors will be deemed to have resigned and their resignation will become effective the moment a shareholders' meeting convened on an urgent basis elects a new Board of Directors.

10.14 Loss of the independence requirements by a director is not a cause of removal if the number of directors still in possession of the legal independence requirements is not lower than the minimum specified by the laws and/or regulations in force.

10.15 At its first meeting, the Board of Directors shall appoint a Chairman, if the shareholders' meeting has not already done so, and if necessary a Vice Chairman.

10.16 In case of absence or impediment of the Chairman to perform his/her duties, in turn, the Vice Chairman or the CEO shall act in his/her stead; should they be absent or could not attend the board, another director, elected by the majority of the attendees may act in his/her stead.

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

10.18 Until the shareholders' meeting resolves otherwise, the directors shall not be subject to the prohibition contemplated in article 2390 of the Italian Civil Code.

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.

2390. Competition prohibited. [2]
Directors can not acquire the status of partners with unlimited liability in competing companies, nor carry out competitive activities for their own account or for the account of third persons, unless authorized to do so by the meeting.
In case of non-observance of such prohibition, a director can be removed from office and is liable for damages.

[1] Subsection 1 of Article 2383 of the Italian Civil Code also envisages the following: "*1. The shareholders' meeting shall appoint all directors except for the very first ones, who are appointed in the deed of incorporation and save for the provisions of Articles 2351, 2449 and 2450. The appointment shall in any case be preceded by the submission, by the party concerned, of a declaration attesting to there being no grounds for ineligibility in his regard as envisaged by Article 2382 and no prohibitions from holding the office of director in any European Union Member State*."

[2] The last paragraph of Article 10 of the Bylaws provides that, until the Shareholders' Meeting resolves otherwise, the directors are not bound by the prohibition of competition pursuant to Article 2390 of the Italian Civil Code.

Legislative Decree no. 58 of 24 February 1998: "Consolidated Law on Finance pursuant to Articles 8 and 21 of Law no. 52 of 6 February 1996" - Articles 147-ter, 147-quinquies and 148
http://www.consob.it/web/area-pubblica/tuf-e-regolamenti-consob

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Section IV-bis
Management bodies
Article 147-ter
(Election and composition of the board of directors)

1. The Bylaws provide for members of the Board of Directors to be elected on the basis of candidates slates and defines the minimum participation share required for their presentation, at an extent not above a fortieth of the share capital or at a different extent established by CONSOB regulations, taking into account capitalization, floating funds and ownership structures of listed companies. The slates indicate which directors hold independent requisites established by law and by the Bylaws. The Bylaws may also state that, when electing board members, the lists which have not reached a percentage of votes at least equal to half of the one required for slate submission, should not be taken into account; for cooperatives the percentage is established by the Bylaws also contrary to article 135
1-bis. Slates are deposited with the issuer, also by means of remote delivery, in compliance with any requirements strictly necessary to identify the applicants indicated by the company, by the twenty-fifth day prior to the date of the meeting called to resolve on the appointment of the members of the board of directors. The slates shall be made available to the public at the company's headquarters, on the company's website and in the other ways envisaged by CONSOB by regulation, at least twenty-one days prior to the date of the shareholders' meeting. Ownership of the minimum investment envisaged by paragraph 1 is determined concerning the shares amount recorded on the day on which the slates are deposited with the issuer. Related certification may also be submitted after filing, provided submission is within the time limit established for publication of the lists by the issuer.
1-ter. The Bylaws also stipulate that the selection of future directors should be made on the basis of a criterion that ensures gender balance. At least two fifths of the directors elected must be part of the less-represented gender This allocation standard shall apply for six consecutive terms of office. If the composition of the board of directors resulting from the election does not comply with the selection standard provided for in this section, CONSOB shall warn the company concerned to comply within the maximum term of four months from the warning. In the event of non-compliance, CONSOB shall impose a fine amounting from EUR 100,000 up to EUR 1,000,000, depending on the criteria and methods laid down in its regulations, and set a new term of three months for compliance. In the event of further non-compliance with respect to this new warning, the elected members shall lose their position. The Bylaws regulate the procedures for creating the slates and for cases of replacement during a mandate, in order to ensure compliance with the selection standards provided for in this section. CONSOB shall lay down regulations on the infringement, application and observance of the rules on gender quotas, including with reference to the investigation phase and the procedures to be adopted, based on company's regulations, within six months from the date of entry into force of the rules contained in this section. The rules of this section shall also apply to companies organised according to the monist system.

2. ...omissis...

3. Except as provided for in Article 2409-septiesdecies of the Italian Civil Code, at least one member shall be elected from the minority slate that obtained the largest number of votes and is not linked in any way, even indirectly, with the shareholders who presented or voted the slate which resulted first by the number of votes. In companies organised under the monist system, the member elected from the minority slate must satisfy the integrity, experience and independence requirements established pursuant to Articles 148(3) and 148(4). Failure to satisfy the requirements shall result in disqualification from the position.
4. In addition to what is provided for in paragraph 3, at least one of the members of the Board of Directors, or two if the Board of Directors is composed of more than seven members, should satisfy the independence requirements established for members of the board of auditors in Article 148(3) and, if provided for in the Bylaws, also the additional requirements established in codes of conduct drawn up by regulated stock exchange companies or by trade associations. This paragraph shall not apply to boards of directors of companies organised under the monist system, which shall continue to be subject to the second paragraph of Article 2409-septiesdecies of the Italian Civil Code. The independent director who, following his/her nomination, loses those requisites of independence should immediately inform the Board of Directors about this and, in any case falls from his/her office.

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Article 147-quinquies
(Requirements of integrity)

1. Persons who perform an administrative or management role must satisfy the integrity requirements established for members of internal control bodies in the regulation issued by the Ministry of Justice pursuant to Article 148, paragraph 4.
2. Failure to satisfy the requirements shall result in disqualification from the position.

Section V
Control bodies

Article 148
(Composition)

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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 Italian Civil Code;
b) the spouse, relatives and relations by marriage within the fourth degree of the directors of the company, the directors, spouse, relatives and relations by marriage within the fourth degree of the directors of the subsidiaries or the parent companies of said company, or companies subject to joint control;
c) those who are linked to the company or to its subsidiaries or parent companies, or to companies subject to joint control, or to the directors of the company and to the parties under letter b) by self-employment or salaried contracts or other financial or professional relationships that 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.

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(*) See Legislative Decree of the Ministry of Justice no. 162 of 30.3.2000 (published in OJ no. 141 on 19.6.2000).

Regulation implementing Italian Legislative Decree No.58 of 24 February 1998, concerning the discipline of issuers (Consob resolution No. 11971 of 14 May 1999, as subsequently amended)
http://www.consob.it/web/area-pubblica/tuf-e-regolamenti-consob

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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 members of the 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) "floating capital" 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 slate 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.

Section II
Shareholdings for the presentation of slates for the election of the board of directors
Article 144-*quater*
(Shareholdings)
1. Without prejudice to any lesser percentage established in the Bylaws, the interest share required for the presentation of the candidates slates for the election 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 market capitalization in excess of fifteen billion Euros;
b) is 1% of the share capital for companies with 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 market capitalization is less than or equal to one billion Euros.
2. Without prejudice to the minimum percentage envisaged by the Bylaws, the investment share is equal to 4.5% of the share capital for companies for which the market capitalization is less than or equal to three hundred and seventy-five million Euros where, at the year end date, the following conditions are all met:
a) floating capital exceeds 25%;
b) there is no one or more shareholders adhering to a shareholders' agreement as envisaged by Article 122 of the Consolidated Law, thus gaining the majority of the voting rights that can be exercised in the meeting resolutions concerning the appointment of the members of the administrative body.
3. Where the conditions indicated under paragraph 2 are not met, without prejudice to the lesser percentage envisaged by the Bylaws, the investment share is 2.5% of the share capital.
4. *…omissis...*
5. *…omissis...*
6. As an exception to the provisions of this Article, the companies requiring admission to listing may provide, for the first renewal subsequent to this, that the investment share required for the presentation of the candidates slates for the election of the board of directors, in accordance with Article 147-*ter* of the Consolidated Law, is equal to a percentage of no more than 2.5%.

Section III
Election of the governance body

Article 144-*quinquies*
(Relationships of affiliation between reference shareholders and minority shareholders)

1. The material relationships of affiliation pursuant to Article 148, paragraph 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, paragraph 3 of the Italian Civil Code, including persons belonging to the same group;
e) the performance, by a shareholder, of management or executive functions, with relevant 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.

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Section IV
Slates publication

Article 144-*septies*
(Shareholding publication)

1. CONSOB shall publish, within thirty days of the financial year end, the shareholding requirements for the submission of the candidates slates for the election of the administrative and control bodies, disseminating the information also by electronic means.
2. The notice of the shareholders' meeting called to approve the appointment of the administrative and control bodies shall specify the share amount required for the submission of the slates.

Art. 144-*octies*
(Proposed appointments publication)

1. Italian companies listed on regulated Italian market, at least twenty-one days before the date fixed for the shareholders' meeting called to appoint the boards of directors and internal control bodies, shall make available to the public the lists of the candidates deposited by the shareholders, at the company's head office, at the market operator office and on its website, together with:
a) for the candidates to the office of statutory auditor, the information and documentation specified in Article 144-*sexies*, paragraph 4;
b) for candidates to the office of director:
b.1) detailed information on the personal traits and professional qualifications of the candidates;
b.2) a declaration concerning possession of the independence requirements envisaged in Article 148, paragraph 3 of the Consolidated Law and, if envisaged in the Bylaws, the additional requirements provided for in the codes of conduct issued by regulated market operators or by trade associations;
b.3) details on the identity of the shareholders who submitted the slates and the overall percentage of the shareholding held.
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 paragraph 5 of Article 144-*sexies*, together with the additional period for their submission and the reduction of any thresholds established by the Bylaws.

Art. 144-*novies*
(Composition of management and control bodies)

1. Italian companies listed on Italian regulated markets shall immediately inform the public, in the manner indicated in Title II, Chapter I, of the appointment of the members of the administrative and control bodies indicating:
a) the slate from which each of the members of the administrative and control bodies has been elected, specifying whether this was the slate submitted and voted by the majority or the minority;
b) directors that have declared possession of the independence requirements envisaged in Article 148, paragraph 3 of the Consolidated Law and/or the independence requirements envisaged in sector regulations that may apply to the company's business activities and/or, if envisaged in the Bylaws, the independence requirements provided for in the codes of conduct issued by regulated market operators or by financial operators'/intermediaries' associations;
1-*bis*. The companies referred to in paragraph 1, following appointment of members of the board of directors and internal control bodies, shall arrange public disclosure of their evaluation process, pursuant to Title II, Chapter I, based on information provided by the interested parties or in any event available to the company, in relation to:
a) possession by one of more members of the board of directors of the independence requirements envisaged in Article 148, paragraph 3 of the Consolidated Law, pursuant to Article 147-*ter* paragraph 4 and Article 147-*quater* of the Consolidated Law, and the independence requirements envisaged in sector regulations that may apply to the company's business activities;
b) possession by members of the internal control body of the independence requirements envisaged in Article 148 paragraph 3 of the Consolidated Law and the independence requirements envisaged in sector regulations that may apply to the company's business activities.
1-*ter*. The statutory auditors and members of the board of directors concerned shall provide the board of directors and internal control body with the information necessary to perform a full and suitable evaluation as envisaged in paragraph 1-*bis*.

Article 144-*decies*
(Regular information)

1. The information indicated in Article 144-*octies* and Article 144-*novies*, subsections 1 and 1-*bis*, in reference to elected candidates shall be disclosed in the corporate governance and ownership structure report envisaged in Article 123-*bis* of the Consolidated Law.

Section V
Final provisions

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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 gender balance, as established by Articles 147-*ter*, paragraph 1-*ter*, 148, paragraph 1-*bis* of the Consolidated Law, and that this criteria is applied for six consecutive terms of office starting from the first renewal after 1 January 2020.
2. The Bylaws of listed companies shall govern:
a) the methods by which slates 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 standards 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 standards 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 warning provided for in 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.

Legislative Decree of the Ministry of Justice 30th March, 2000 n. 162 - Regulations for setting requirements of professionalism and integrity 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.

https://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2000-06-19&atto.codiceRedazionale=000G0209&elenco30giorni=false

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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:

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 judgement 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, Book V 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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Corporate Governance Code for the Listed Companies – January 2020 (articles 1, 2, 3, 4 and 5)
https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf

Article 1 - Role of the Board of Directors

Principles

I. The board of directors leads the company by pursuing its sustainable success.

II. The board of directors defines the strategies of the company and the group it heads in accordance with principle I and monitors its implementation.

III. The board of directors defines the corporate governance system that is most functional for carrying out the company's business and pursuing its strategies, taking into account the flexibility offered by the legal framework. If necessary, the board of directors evaluates and promotes the appropriate changes and submit them to the shareholders' meeting when such changes are necessarily subject to the shareholders' vote.

IV. The board of directors promotes dialogue with shareholders and other stakeholders which are relevant for the company, in the most appropriate way;

Recommendations

1. The board of directors:

a) reviews and approves the business plan of the company and the group it heads, also on the basis of matters that are relevant for the long-term value generation. That analysis is carried out with the possible support of a committee whose composition and functions are defined by the board of directors;
b) periodically monitors the implementation of the business plan and assesses the general course of the business, comparing the results achieved with those planned;
c) defines the nature and level of risk compatible with the company's strategic objectives, including all the elements that can be relevant for the company's sustainable success;
d) defines the corporate governance system of the company and the structure of the group it heads, and assesses the adequacy of the company's organisational, administrative and accounting structure and of its strategically important subsidiaries, with particular reference to the internal control and risk management system;
e) approves transactions of the company and its subsidiaries that have a significant impact on the company's strategies, profitability, assets and liabilities or financial position; to this end, it establishes the general criteria for identifying significant transactions;
f) on proposal of the chair in agreement with the chief executive officer, adopts a procedure for the internal and external management of documents and information concerning the company, with particular reference to inside information, in order to ensure the correct management of corporate information.

2. If deemed necessary for the effectiveness of the company's corporate governance system, the board of directors develops specific proposals to be submitted to the shareholders' meeting on the following issues:

a) choice and characteristics of the corporate model (traditional, "one-tier", "two-tier");
b) size, composition and appointment of the board of directors and term of office of its members;
c) structure of the shares' administrative and property rights;
d) percentages established for the exercise of the prerogatives set up to safeguard minority shareholders.

In particular, if the board of directors intends to propose to the shareholders' meeting the introduction of increased voting rights (so-called "voto maggiorato"), it provides adequate reasons in the report that will be submitted to the shareholders prior to their annual meeting. The report indicates the expected effects on the company's ownership and control structure and its future strategies. In the same report, the board discloses the decision-making process followed for the definition of such a proposal and any dissenting opinions voiced within the board.

3. Upon proposal of the chair in agreement with the chief executive officer, the board of directors adopts and describes in the corporate governance report a policy for managing dialogue with the generality of shareholders, taking into account the engagement policies adopted by institutional investors and asset managers.

The chair ensures that the board of directors is in any case informed, within the first suitable meeting, of the development and the significant contents of the dialogue that has taken place with all the shareholders

Comment

The Committee believes that the Board of Directors has the primary responsibility for determining and pursuing the strategic objectives of the issuer and of the group of which it is a member or which it heads. The chairman is responsible for promoting the constant performance of such duty. The Committee highlights the essential role of the Board of Directors in evaluating the actual functioning of the internal control system and the management of any risk that may affect the sustainability of the issuer's business in a medium-long term perspective. Under relevant circumstances, the Board of Directors acquires any necessary information and adopt any suitable measure to protect the company and the information to the market. Each director takes his/her choices with free judgement, doing so in the interest of the issuer and the generality of the shareholders. Therefore, even when management choices have been evaluated, addressed or otherwise influenced in advance, within the limits and in compliance with the applicable provisions of law, by those exercising management and coordination activities, or by subjects participating in a syndication agreement, each director shall pass resolutions in autonomy, adopting resolutions which may, reasonably lead – primarily – to the creation of value for the generality of the shareholders in the medium-long term. The appointment of one or more managing directors, or of an executive committee, plus the fact that the business activity is exercised through several subsidiaries, does not relieve the Board of the tasks entrusted to it hereunder. Notwithstanding the absence of precise statutory restrictions on this subject, the Board is required to delegate powers in such a way that the Board does not appear to be divested of its prerogatives. Moreover, the issuers shall adopt adequate measures to ensure that subsidiaries submit to the Board of the parent company, for prior review, material transactions, without prejudice to the principle of autonomous management, in the event that the subsidiary is also a listed company. Among the matters reserved to the competence of the Board, this article mentions the evaluation of the adequacy of the organizational, administrative and accounting structure of the issuer and of its subsidiaries having strategic relevance; it is pointed out that such relevance should be evaluated with reference to criteria that do not concern only the size, to be mentioned in the Corporate Governance Report. The board is required to perform a self-evaluation, especially regarding its size, its composition and the daily activity of the Board itself and of its committees. The Board evaluation process could be schedules during the three-year long mandate, and be performed differently during this period. In carrying out such an assessment, it is required to verify that, according to issuer's business, the various members (executive, non-executive, independent) and the professional and managerial competences, including international experience, are adequately represented, taking into account also the benefits that could stem from the presence of different genders, age and tenure and other diversity elements considered by the issuer. The Committee recommends

that issuers adopt internal procedures for handling, safely and confidentially, information relating to them, notably price sensitive information. Such a procedure is also aimed at preventing that its disclosure occurs in an untimely manner or selectively (i.e. anticipated only to certain persons, such as shareholders, journalists or analysts) or in an incomplete or inadequate manner. In carrying out their duties, the directors shall review the information received from the delegated bodies, ask the same for any clarifications, elaborations or supplements that are deemed necessary or appropriate for a complete and correct evaluation of the facts submitted to the review of the Board. The chairman of the Board of Directors shall endeavour to ensure that the necessary time is devoted to an effective discussion of the items on the agenda during the meetings, and shall promote contributions from the directors; furthermore, they shall ensure, also with the help of the Secretary of the Board, that pre-meeting information is supplied in a timely and accurate manner, adopting all the necessary measures for ensuring confidentiality of the provided information and data. When, in specific cases, it has not been possible to provide pre-meeting information with adequate prior notice, the Chairman ensures that adequate and timely sessions take place during the BoD meeting. If the documents supplied are voluminous and complex, they can be accompanied by a summary setting out the most significant areas in order to effectively resolve upon the items on the agenda, provided that such a summary cannot be deemed to replace in any manner the complete documentation supplied to directors. In order to enhance the Board meetings which represent moments for directors (and, particularly, non-executive ones) to collect adequate information on the company's management, managing directors shall ensure that executives in charge of the pertinent management areas related to the Board agenda are available to attend such meetings, upon request.

Article 2. Composition of the corporate bodies

Principles

V. The board of directors is comprised of executive and non-executive directors. All directors ensure professional skills and competence that are appropriate to their tasks.

VI. The number and skills of non-executive directors ensure significant influence in the decision-making process of the board and guarantee an effective monitoring of management. A significant number of non-executive directors is independent.

VII. The company applies diversity criteria, including gender ones, to the composition of the board of directors, ensuring the primary objective of adequate competence and professionalism of its members.

VIII. The control body's composition is appropriate for ensuring the independence and professionalism of its function.

Recommendations

4. The board of directors defines the delegation of managerial powers and identifies who among the executive directors holds the position of chief executive officer. If the chair is entrusted with the position of chief executive officer or with significant managerial powers, the board of directors explains the reasons for this choice.

5. The number and skills of independent directors are appropriate to the needs of the company and to the well-functioning of the board of directors, as well as to the establishment of board committees.

The board of directors includes at least two independent directors, other than the chair.

In large companies with concentrated ownership, independent directors account for at least one third of the board.

In other large companies, independent directors account for at least half of the board.

In large companies, independent directors meet, in the absence of the other directors, on a periodic basis and at least once a year to evaluate the issues deemed of interest to the functioning of the board of directors and to the corporate management.

6. The Board of Directors assesses the independence of each non-executive Director immediately after he/she is assigned, and throughout the term of office when circumstances arise which are relevant to the question of independence, and at least on an annual basis.

Each non-executive director provides all the elements necessary or useful for the assessment of the board of directors. On the basis of all the information available, the board considers any circumstance that affects or could affect the independence of the director.

7. The circumstances that compromise, or appear to compromise, the independence of a director include, at least, the following:

a) if he or she is a significant shareholder of the company;
b) if he or she is, or was in the previous three financial years, an executive director or an employee:
- of the company, of a strategically relevant subsidiary of said company or of a company subject to joint control;
- of a significant shareholder of the company;
c) if, directly or indirectly (e.g. through subsidiary companies or of which s/he is an executive director, or as a partner of a firm or advisory company), s/he has, or has had in the previous three financial years, a significant business, financial or professional relationship:
- with the company or the subsidiaries of said company, or with the related executive directors or top management;
- with a party that, including alongside others via a shareholders' agreement, controls the company; or, if the parent company is a company or organisation, with the related executive directors or top management;
d) if he or she receives, or received in the previous three financial years, from the company, one of its subsidiaries or the parent company, significant remuneration other than the fixed remuneration for the position held within the board and for the membership in the committees recommended by the Code or required by law;
e) if he or she has served on the board for more than nine years, even if not consecutive, of the last twelve years;
f) if he or she holds the position of executive director in another company whereby an executive director of the company holds the office of director;
g) if he or she is a shareholder, quota-holder or director of a company or other legal entity belonging to the network of the external auditor of the company;
h) if he or she is a close relative of a person who is in any of the circumstances set forth in previous letters.

The administrative body predetermines, at least at the beginning of its mandate, the quantitative and qualitative criteria for assessing the significance set out in letters c) and d) above. In the case of a director who is also a partner of a firm or advisory company, the administrative body assesses the significance of the professional relationships that may have an effect on his/her position and on his/her role within the firm or advisory company

or that in any case pertain to significant transactions of the company or of the group said company belongs to, including independently of the quantitative parameters.

The chair of the board of directors, who has been nominated for such role according to recommendation 23, can be assessed as independent if none of the circumstances set forth above occurs. If the independent chair is member of the board committees recommended by the Code, such committees are made up in majority of independent directors, other than the chair. The independent chair of the board of directors cannot chair the remuneration committee and the control and risk committee.

8. The company defines the diversity criteria for the composition of the board of directors and the control body and identifies the most suitable tool for their implementation, taking into account its ownership structures.

At least a third of the board of directors and the control body, where the latter is autonomous, is to be comprised of members of the less represented gender.

Companies adopt measures to promote equal treatment and opportunities among genders within the entire organisation, monitoring their specific implementation.

9. All members of the control body meet the independence requirements set out in recommendation 7 for directors. The assessment of independence is carried out, according to the time frames and procedures provided for in Recommendation no. 6, by the Board of Directors or the supervisory body, on the basis of information provided by each component member of the supervisory body.

10. The outcome of the assessments of independence of directors and members of the control body referred to in recommendations 6 and 9 is disclosed to the market immediately after the appointment through a specific press release and, later, in the corporate governance report. In both cases, the outcome of the assessment provides information about: the criteria used for the assessment of the significance of the relationships and, in case of any deviation from the circumstances set forth in recommendation 7, a clear and detailed reason for this choice motivated by the individual situation and characteristics of the director concerned.

Article 3. Functioning of the board of directors and the role of the chair

Principles

IX. The board of directors defines the rules and procedures for its functioning, ensuring an efficient flow of information to directors.

X. The chair of the board of directors plays a liaison role between executive and non-executive directors and ensures the effective functioning of the board.

XI. The board of directors ensures an adequate division of its functions and establishes board committees with preliminary, propositional and consultative functions.

XII. Each director ensures adequate time commitment for the fulfilment of their board responsibilities.

Recommendations

11. The board of directors develops internal rules that define the functioning of the board and its committees, including the means for recording the minutes of the meetings and the

procedures for providing information to directors. These procedures identify the prior notice for the submission of the documentation, ensuring that confidentiality issues are properly managed without affecting the timeliness and completeness of the flow of information.

The corporate governance report provides adequate information on the main contents of the board of director's internal rules and on compliance with the procedures aimed at ensuring the timeliness and adequacy of the information provided to the directors.

12. The chair of the board of directors, with the help of the board secretary, ensures that:

a) the pre-meeting information and the complementary information provided during the meeting are suitable to allow directors to act in an informed manner;
b) the activity of the board committees with preliminary, propositional and consultative functions is coordinated with the activity of the board of directors;
c) in agreement with the chief executive officer, the managers of the company and those of the companies of the group it heads, who are competent on the issues concerned, participate in the relevant board meetings to provide appropriate insights on the items on the agenda, also upon request of one or more directors;
d) all the members of the board of directors and control body can take part, after the appointment and during the mandate, in initiatives aimed at providing them with adequate knowledge of the industry in which the company operates, the company dynamics and their evolution, also in relation to the company's sustainable success. Such initiatives also cover the risk management issues as well as any relevant part of the regulatory and self-regulatory framework;
e) to provide for the adequacy and transparency of the board review, with the support of the nomination committee.

13. The board of directors appoints an independent director as lead independent director:

a) if the chair of the board of directors is the chief executive officer or holds significant managerial powers;
b) if the office of chair is held by the person who controls, also jointly, the company;
c) in large companies, even in the absence of the conditions indicated in letter a) and b), if requested by the majority of independent directors.

14. The lead independent director:

a) collects and coordinates the requests and contributions of non-executive directors and, in particular, of independent ones;
b) coordinates the meetings of the independent directors.

15. In large companies, the board of directors expresses its guidelines on the maximum number of offices that can be considered compatible with an effective performance and the time commitment required by the role of the directors. The relevant offices are those held in corporate bodies of other listed companies and of companies having a significant size.

16. The board of directors sets up internal committees with preliminary, propositional and consultative functions regarding appointments, remuneration and control and risks. These functions can be either assigned to specific board committees recommended by the Code or distributed in a different manner or even combined in a single committee. In any case, the company ensures an adequate disclosure on the tasks and activities carried out by each of the assigned functions, as well as an adequate composition of each committee.

The functions of one or more committees can even be assigned to the board of directors, under the coordination of the chair, provided that:

a) independent directors represent at least half of the board;
b) the board dedicates adequate sessions to the performance of such functions.

In the event that the functions of the remuneration committee are assigned to the board of directors, the last paragraph of recommendation 26 applies.

Companies other than large ones may assign the functions of the control and risk committee to the board of directors even in absence of the condition set forth above in letter a).

Companies with concentrated ownership, even large ones, can assign the functions of the nomination committee to the board of directors even in absence of the condition set forth above in letter a).

17. The board of directors defines the tasks of the committees and their composition, favouring the competence and experience of their members and avoiding, in large companies, an excessive concentration of offices.

Each committee is coordinated by a chair who informs the board of directors about the committee's activities at the first useful board meeting.

The chair of the committee may invite the chair of the board of directors, the chief executive officer, the other directors and, by informing the chief executive officer, the managers of the corporate functions that are competent on the matters of the committee meeting, to individual committee's meetings. The members of the control body can attend the meetings of each committee.

Board committees can have access to the information and the corporate functions that are necessary for the performance of their duties. Board committees have adequate financial resources and can avail themselves of external consultants according to the conditions set forth by the board of directors.

18. The board of directors, upon proposal of the chair, provides for the appointment and dismissal of the board secretary and defines his or her professional requirements and attributes in the board's internal rules.

The board secretary supports the activities of the chairman and provides impartial assistance and advice to the board of directors on all aspects relevant to the proper functioning of the corporate governance system.

Article 4. Appointment of directors and board evaluation

Principles

XIII. The board of directors ensures, within its competence, that the process of appointment and succession of directors is transparent and functional to achieve the optimal composition of the board according to the principles set forth in Article 2.

XIV. The board of directors periodically evaluates, through formalised procedures, its effectiveness and the contribution made by individual directors. The implementation of the board evaluation procedures is supervised by the board itself.

Recommendations

19. The board of directors entrusts the nomination committee to support it on:

a) the evaluation of the board and its committees;
b) the definition of the optimal composition of the board and its committees;
c) the identification of candidates in case of the director's co-optation;
d) the possible submission of a slate by the outgoing board, ensuring the transparency of the process that led to the slate's structure and proposition;
e) the development, updating and implementation of succession plan for the chief executive officer and the other executive directors.

20. The majority of directors of the nomination committee are independent.

21. The board evaluation assesses the size, composition and functioning of the board and its committees. It includes also the board's active involvement in the definition of the company's strategy and in the monitoring of the management of the company's business, as well as the appropriateness of the internal control and risk management system.

22. The board evaluation is conducted at least every three years, before the renewal of the board of directors.

In large companies other than those with concentrated ownership, the board evaluation is conducted on an annual basis and can be diversified according to the term of the board's mandate. In such companies, the board considers whether to appoint an external facilitator for its evaluation at least once every three years.

23. In companies other than those with concentrated ownership, the board of directors:

- sets forth guidelines on board composition deemed optimal before its renewal, considering the outcome of the board evaluation;
- requires those who submit a slate containing a number of candidates of more than half the members to be elected to provide adequate information in the documentation submitted for filing the slate on the compliance of the slate with the guideline of the board of directors, also with reference to the diversity criteria set forth in Principle VII and Recommendation 8, and to indicate their candidate 14 for the office of chairman of the board of directors, who will be appointed according to the procedures set forth in the bylaws.

The guideline of the outgoing board of directors is published on the company's website well in advance of the publication of the call notice of the shareholders' meeting concerning its renewal. They identify the managerial and professional profiles and the skills deemed necessary, having due consideration of the company's sectoral characteristics, the board diversity criteria set forth in principle VII and recommendation 8 as well as the board guidelines on the maximum number of offices set forth in recommendation 15.

24. In large companies, the board of directors:

- elaborates, with the support of the nomination committee, a plan for the succession of the chief executive officer and executive directors by identifying, at least, the procedures to be followed in the event of an early termination of office;
- ascertains the existence of appropriate procedures for the succession of the top management.

Article 5. Remuneration

Principles

XV. The remuneration policy for directors, members of the control body and the top management contributes to the pursuit of the company's sustainable success and takes into account the need to have, retain and motivate people with the competence and professionalism deemed adequate for their role.

XVI. The remuneration policy is developed by the board of directors through a transparent procedure.

XVII. The board of directors ensures that the remuneration paid and accrued is consistent with the principles and criteria defined in the policy, considering the results achieved and any other circumstances relevant for its implementation.

Recommendations

25. The board of directors entrusts the remuneration committee with the task of:

a) supporting it in the development of the remuneration policy;
b) submitting proposals or expressing opinions on the remuneration of executive directors and other directors who hold specific responsibilities, as well as on the setting of performance objectives related to the variable component of this remuneration;
c) monitoring the actual application of the remuneration policy and verifying the effective achievement of the performance objectives;
d) periodically assessing the adequacy and overall consistency of the remuneration policy for directors and the top management.

In order to have people with adequate competence and professionalism, the remuneration of executive and non-executive directors and of the members of the control body is defined with due consideration of the remuneration practices that are common with regards to the company’s reference sectors and size. It also considers comparable international practices, with the possible support of an independent consultant.

26. The remuneration committee is made up of non-executive directors, the majority of whom are independent, and is chaired by an independent director. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.

No director shall participate in meetings of the remuneration committee in which proposals are formulated relating to his/her remuneration.

27. The remuneration policy for executive directors and the top management defines:

a) a balance between the fixed and the variable component which is consistent with the company’s strategic objectives and risk management policy. Consistency is assessed taking into consideration the business’s characteristics and the industry of the company. The variable component has in any case a significant weight on the overall remuneration;
b) caps to the variable components;
c) performance objectives, to which is linked the payment of the variable components, that are predetermined, measurable and predominantly linked to the long-term horizon. They are consistent with the company’s strategic objectives and with the aim of promoting its sustainable success and includes non-financial parameters, where relevant;
d) an adequate deferral of a significant part of the variable component that has been already accrued. Such a deferral period is consistent with the company’s business activity and its risk profile;
e) provisions that enable the company to recover and/or withhold, in whole or in part, the variable components already paid-out or due, where they were based on data which subsequently proved to be manifestly misstated. The company can identify other circumstances in which such provisions are applied;

f) clear and predetermined rules for possible termination payments, establishing a cap to the total amount that might be paid out. The cap is linked to a certain amount or a certain number of years of remuneration. No indemnity is paid out if the termination of the office is motivated by director's objectively inadequate results.

28. The equity-based remuneration plans for executive directors and the top management are aligned with the interests of the shareholders over a long-term horizon, providing that a predominant part of the plan has an overall vesting and holding period of at least five years.

29. The remuneration of non-executive directors is adequate to the competence, professionalism and commitment required by their role within the board of directors and its committees; this remuneration is not related to financial performance objectives, except for a non-significant part.

30. The remuneration of the members of the supervisory body must provide adequate compensation for the competence, professionalism and commitment required by the importance of the position held and the size and sectoral characteristics of the company and its situation.

31. On the occasion of the termination of office and/or dissolution of the relationship with an executive director or general manager, a press release is published as soon as the internal processes that led to the assignment or the recognition of any indemnities and/or other benefits has been concluded. The press release provides for detailed information on:

a) the assignment or the recognition of indemnities and/or other benefits, the circumstances that justify their accrual (e.g. due to the expiration of the term of office, its termination or a settlement agreement) and the decision-making process followed for this purpose within the company;
b) the total amount of the indemnity and/or other benefits, the related components (including non-monetary benefits, the vesting of rights connected with incentive plans, the compensation for non-competitive commitments or any other remuneration allocated to any reason and in any form) and the timing of their disbursement (distinguishing the part paid immediately from the part subject to deferral mechanisms);
c) the application of any claw-back or *malus* clauses;
d) the compliance of the elements indicated in letters a), b) and c) with the remuneration policy, with a clear indication of the reasons and the decision-making process followed in the event of non-compliance, even if only partial, with the policy itself;
e) the procedures that have been or will be followed for the replacement of the executive director or the general manager whose office has been terminated.

Consob - Communication DEM/9017893 dated 26 February 2009
https://www.consob.it/documents/1912911/1961441/c9017893.pdf/c2aef8e3-7139-f9d0-08d2-02105df79778

Re: **Appointment of the members of the management and control bodies - Recommendations**

1. With reference to the appointment of the control bodies of listed companies, Art. 148, subsection 2 of Italian Legislative Decree no. 58/98 (the "TUF") states that "*Consob shall establish by regulation the procedures for the election, with the slate voting mechanism, of a standing member of the board of statutory auditors by the minority shareholders that are not, directly or indirectly, related to the shareholders that submitted or voted for the slate that came first in terms of number of votes*".

By virtue of this extensive regulatory delegation, Consob has laid down detailed rules, in its Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented (the "Issuers' Regulation") governing the entire procedure for the election of control bodies using the slate voting mechanism, taking into account the purpose of guaranteeing minority shareholders the appointment of at least one standing auditor and of "*guaranteeing that the auditors chosen by the minorities are effectively unrelated to the majority*"[1].

In this regard, Consob has identified, in Art. 144-*quinquies* of the Issuers' Regulation[2] some examples of situations in which a relationship of affiliation pursuant to such Art. 148, subsection 2 of the TUF is assumed to exist, without, however, providing a complete list and it has established that those submitting a "minority slate" shall file a declaration with the company headquarters attesting to the lack of any relationship of affiliation as envisaged by such Art. 144-*quinquies* with the shareholder holding (or jointly holding) a controlling or relative majority share (Art. 144-*sexies*, subsection 4, letter b), of the Issuers' Regulation[3]).

Since there is no similar mechanism to that established on the appointment of members of the control bodies for the election of the management bodies, the Issuers' Regulation does not include any provisions on the slate voting mechanism and, in particular, those filing "minority slates" have not been asked to attest to the non-existence of any relationships of affiliation pursuant to Art. 147-*ter*, subsection 3 of the TUF.

After convening the first shareholders' meetings with the agenda including the appointment of the corporate bodies following the coming into force of the regulatory provisions of Consob implementing Articles 147-*ter* and 148, subsection 2 of the TUF, the need has been seen to also assure transparency in respect of any relations between slates for the election of the management body too, strengthening what is already envisaged in certain Bylaws of some listed companies. It was also revealed the need to guarantee more complete information about the relations between those submitting "minority slates" and the controlling or relative majority shareholders when electing the control bodies.

Thus said, it is considered appropriate to make some recommendations in this regard.

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 TUF 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 TUF 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 TUF, 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 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 control bodies, without prejudice to the obligation to file the declaration pursuant to Art. 144-*sexies*, paragraph 4, letter b) of the Issuers' Regulation, in order to guarantee greater transparency about relations between those submitting the "minority slates" and the controlling or relative majority shareholders, it is recommended that shareholders submitting a "minority slate" provide the following information in such declaration:

- any relations as may exist, where significant, with shareholders individually or jointly hold a controlling or relative majority share, where the latter can be identified on the basis of communications of significant shareholdings pursuant to Art. 120 of the TUF or the publication of shareholder agreements in accordance with Art. 122 of such Decree. More specifically, it is recommended that these relations include at least those listed under point 2. Alternatively, the absence of significant relations should be clearly stated;

- the reasons why these relations have not been considered as foundations to the existence of relationships of affiliation pursuant to Art. 148, subsection 2 of the TUF and Art. 144-*quinquies* of the Issuers' Regulation.

4. Asset management companies exercising the right to vote on a discretionary basis in relation to the shares owned by the CIUs instituted or managed by them, in the exclusive interests of the investors, and that have assessed the effective independence of the parent company, may not take into account, in terms of indicating any significant relations with the controlling or relative majority shareholder (or shareholders), relations entertained by members of their group.

The term “asset management companies” is used to refer to AMCs, SICAVs, harmonised management companies, European Community subjects operating in collective asset management under the conditions defined by Directive 85/611/EEC and that are supervised in compliance with their own system’s legislation and non-EC subjects carrying out an activity that, if there were to be based in a European Community Member State, would require authorisation in accordance with Directive 85/611/EEC.

5. With specific reference to listed cooperative companies, it is noted that the one-man-one-vote system and the extremely fragmented ownership structure typical of such companies does not allow for the *ex ante* identification of the controlling or relative majority shareholders. Therefore, these preventive disclosure recommendations on any relations between slates and the obligation pursuant to Art. 144-*sexies*, subsection 4, letter b) of the Issuers’ Regulation shall be intended as not applicable to the shareholders of such companies. Such exception is without prejudice to the provisions of Articles 147-*ter*, paragraph 3 and art. 148, paragraph 2 of the TUF, according to which the “minority” director or statutory auditor must be drawn from the slate submitted by shareholders that are not directly or indirectly related to the shareholders that submitted or voted for the slate that earned the most votes.

6. Companies with listed shares are also advised to make available to the public, in due time 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 Issuers' 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

Notes:

1 As can be read in the report accompanying Italian Legislative Decree no. 303/2006 (*"Coordination with Italian Law no. 262 of 28 December 2005, of the consolidated law on banking and credit and the consolidated law on finance"*)

2Art. 144-*quinquies* of Issuers' Regulation ("*Relationships of affiliation between reference shareholders and minority shareholders*") reads: "*1. There are significant relationships of affiliation in accordance with Article 148, paragraph 2 of the Consolidated Law, between one or more reference shareholders* [the shareholders who voted for or submitted the slate obtaining the most votes according to the definition pursuant to Art. 144-*ter* of the Issuers' Regulation, editor's note] and *one or more minority shareholders at least in 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."

3 Art. 144-*sexies*, paragraph 4, letter b), of the Issuers' Regulation ("*Election of minority shareholders with the slate voting mechanism*") envisages: "*The slates are filed with the company offices at least fifteen days prior to the date scheduled for the shareholders' meeting called to resolve on the appointment of the statutory auditors, complete*:....*b) with a declaration by shareholders other than the shareholders who hold a controlling, or relative majority shareholding, alone or jointly, to attest that there are no relationships of affiliation as envisaged by Article 144-quinquies with the latter;* ..".