

## **CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**

In accordance with Article 123-bis of the CFA  
(traditional administration and control model)

**ELICA S.p.A.**

<http://corporation.elica.com>

### **FINANCIAL YEAR 2014**

Approved by the Board of Directors on March 19, 2015

## CONTENTS

1. INTRODUCTION.....	4
2. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123 <i>BIS</i> , PARAGRAPH 1, CFA) ....	4
a) Shareholders (as per Article 123- <i>bis</i> , paragraph 1, letter a), CFA) .....	4
b) Restriction on the transfer of shares (as per Article 123- <i>bis</i> , paragraph 1, letter b), CFA) .....	4
c) Significant holdings (as per Article 123- <i>bis</i> , paragraph 1, letter c), CFA) .....	4
d) Shares which confer special rights (as per Article 123- <i>bis</i> , paragraph 1, letter d), CFA) .....	4
e) Employee shareholdings: voting mechanism (as per Article 123- <i>bis</i> , paragraph 1, letter f), CFA) .....	4
f) Voting restrictions (as per Article 123- <i>bis</i> , paragraph 1, letter f), CFA) .....	4
g) Shareholder agreements (as per Article 123- <i>bis</i> , paragraph 1, letter g), CFA) .....	5
h) Change of control clause (as per Article 123- <i>bis</i> , paragraph 1, letter h), CFA) and statutory provisions concerning Public Purchase Offers (Article 104, paragraph 1- <i>ter</i> and 104- <i>bis</i> , paragraph 1) 5	
i) Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123- <i>bis</i> , paragraph 1, letter m), CFA) .....	5
l) Direction and co-ordination activities (as per Article 2497 of the Civil Code) .....	6
3. COMPLIANCE (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 2, LETTER A), CFA) .....	6
4. BOARD OF DIRECTORS .....	6
4.1 Appointment and replacement (as per Article 123- <i>bis</i> , paragraph 1, letter l), CFA) .....	6
4.2 Composition of the Board of Directors (as per Article 123- <i>bis</i> , paragraph 2, letter d), CFA) .....	7
Maximum number of offices held in other companies .....	8
4.3 Role of the Board of Directors .....	10
Activities of the Board of Directors and of the Committees in 2014 and 2015 up to the date of the present Report.....	12
4.4 Executive Boards.....	13
Reporting to the Board of Directors .....	15
4.5 Other Executive Directors.....	15
4.6 Independent Directors.....	15
4.7 Lead Independent Director .....	17
5. HANDLING OF CORPORATE INFORMATION AND PERSONS WITH ACCESS TO CONFIDENTIAL INFORMATION (“INSIDERS REGISTER”). .....	17
6. INTERNAL COMMITTEES .....	17
7. APPOINTMENTS COMMITTEE .....	18
For further information, reference should be made to section “6. INTERNAL COMMITTEES” and “8. Appointments and Remuneration Committee .....	18
8. APPOINTMENTS AND REMUNERATION COMMITTEE.....	18
Composition and operation of the Committee (as per Article 123- <i>bis</i> , paragraph 2, letter d) CFA).....	18
9. REMUNERATION OF DIRECTORS.....	19
10. CONTROL AND RISKS COMMITTEE .....	19
Composition and operation of the Committee (as per Article 123- <i>bis</i> , paragraph 2, letter d) CFA).....	19
11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 2, LETTER B), CFA) .....	20
11.1 Executive in charge of the Internal Control and Risk Management System.....	21
11.2 Internal Audit Department Manager .....	22
11.3 Organisational Model as per Legislative Decree 231/2001 .....	22
11.4 Independent Audit Firm.....	23
11.5 Executive responsible for the preparation of corporate accounting documents.....	24
11.6 Coordination of the parties involved in the internal control and risk management system .....	24
12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES .....	25
13. APPOINTMENT OF STATUTORY AUDITORS.....	25

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) CFA).....	25
Board of Statutory Auditors activities in 2014 and in 2015 until the date of the present Report .....	27
15. RELATIONS WITH SHAREHOLDERS, WITH BORSA ITALIANA AND WITH THE COMPETENT AUTHORITY .....	27
Internal Dealing regulations .....	28
16. SHAREHOLDERS' MEETINGS .....	28
Appointment of the Corporate Boards .....	29
Changes since year-end .....	31
TABLE 1 – INFORMATION ON THE SHARE CAPITAL .....	32
TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES.....	33
TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS .....	35
ATTACHMENT 1 .....	36
ATTACHMENT 2 .....	41

## 1. INTRODUCTION

The present report illustrates, in accordance with Article 123-*bis* of Legislative Decree 58/98 (“**Consolidated Finance Act**” or “**CFA**”) the Corporate Governance system adopted by Elica S.p.A. (“Elica” or the “Company”) in 2014 and updated at March 19, 2015, in line with the recommendations of the Self-Governance Code, issued by Borsa Italiana and approved, in July 2014, by the Corporate Governance Committee (the “**Self-Governance Code**” or the “**Code**”).

The disclosures relating to the remuneration of the corporate officers and senior management are contained in the Remuneration Report prepared pursuant to Article 123-*ter* of the CFA, in accordance with Attachment 3A, Schedule 7-*bis*, of Consob Resolution No. 11971/1999 and subsequent amendments (“**Issuers’ Regulations**”) and published together with the present Report, in accordance with the provisions of Article 84-*quater* of the Issuers’ Regulations (“**Remuneration Report**”).

In addition, the present report will be published on the website of the Company <http://corporation.elica.com> (Corporate Governance section).

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123 BIS, PARAGRAPH 1, CFA)

### a) Shareholders (as per Article 123-*bis*, paragraph 1, letter a), CFA)

Amount of subscribed and paid-in share capital: **Euro 12,664,560.**

Classes of shares that make up the share capital: **63,322,800** ordinary shares, with a nominal value of Euro 0.20 each (see “**TABLE 1 – INFORMATION ON THE SHARE CAPITAL**” – “**SHARE CAPITAL STRUCTURE**”).

Elica has not issued other share classes at the date of this Report, nor convertible financial instruments, which confer newly issued share subscription rights.

### b) Restriction on the transfer of shares (as per Article 123-*bis*, paragraph 1, letter b), CFA)

The By-laws do not contain any restrictions on any type of share transfer.

### c) Significant holdings (as per Article 123-*bis*, paragraph 1, letter c), CFA)

The significant shareholdings are indicated in “**TABLE 1 – INFORMATION ON THE SHARE CAPITAL**” – “**Significant Holdings in the Share Capital**” based on the information available to the Company at March 19, 2015.

### d) Shares which confer special rights (as per Article 123-*bis*, paragraph 1, letter d), CFA)

The Company has not issued shares which confer special controlling rights.

No special powers exist and the by-laws does not provide for shares with the right to more than one vote.

### e) Employee shareholdings: voting mechanism (as per Article 123-*bis*, paragraph 1, letter f), CFA)

Not applicable.

### f) Voting restrictions (as per Article 123-*bis*, paragraph 1, letter f), CFA)

The By-laws do not contain any restrictions on voting rights.

**g) Shareholder agreements (as per Article 123-bis, paragraph 1, letter g), CFA)**

On December 18, 2013, FAN S.r.l. (formerly FAN S.A.), the parent company of Elica S.p.A., and Whirlpool Europe S.r.l. ("Whirlpool") renewed the shareholder agreement signed on December 10, 2007 (the "Shareholder Agreement").

The Shareholder Agreement covers, among other issues, aspects relating to the governance of Elica S.p.A.. It sets a number of limits on the transfer of investments held by the Parties and commits FAN and the entities controlled by it to a non-competition clause.

The matters outlined above had no impact on the control of Elica which pursuant to article 93 of the Consolidated Finance Act, continues to be indirectly held by Ms. Gianna Peralisi.

In sub ATTACHMENT 1 the full Extract of the latest Shareholder Agreement communicated to Consob in accordance with Article 122 of Legislative Decree No. 58/1998 is reported.

**h) Change of control clause (as per Article 123-bis, paragraph 1, letter h), CFA) and statutory provisions concerning Public Purchase Offers (Article 104, paragraph 1-ter and 104-bis, paragraph 1)**

Agreements are in place of a commercial and financial nature and/or concerning investments of the Company in its subsidiaries, of a confidential nature, which provide for the right to withdrawal or to purchase/sell shares of the subsidiaries to the other contracting party, in the case of change of control of the Company. The resolution of an individual agreement would not significantly impact the Company.

The Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 1 of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

**i) Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123-bis, paragraph 1, letter m), CFA)**

At the date of the Present Report, the Board had not been granted powers to increase the share capital under Article 2443 of the Civil Code.

The Company, in accordance with Article 8.4 of the By-Laws, may issue non-convertible and convertible bond loans or with warrants, in accordance with Articles 2410 subsequent of the Civil Code.

The Board of Directors may also issue non-convertible bonds within the limits set out in Article 2412 of the Civil Code and convertible within the limits set by Article 2420-ter of the Civil Code.

\*\*\*

With reference to the purchase of treasury shares, the Shareholders' Meeting of April 29, 2014 of Elica approved the procedures and delegated powers to the Board of Directors of the Company to purchase (for a period of 18 months) and utilise (without time limits) ordinary shares of the Company, establishing the manner of completion and delegating to the Board of Directors the power to take any necessary actions in order to give effect to resolutions in accordance with applicable laws.

At the date of the present Report, the Company has not undertaken any purchases in accordance with this resolution. It should be noted that during the year 2014, the Company did not utilise treasury shares already held in portfolio in virtue of previous purchases. On February 12, 2015, the Company, on the appointment of EQUITA SIM S.p.A. as the specialist operator of the company in accordance with Article 2.2.3, paragraph 4 of the Issuers' Regulation, granted to this latter an option to request and obtain from Elica free of charge, in accordance with Articles 1813 and subsequent of the Civil Code, up to a maximum 150,000 treasury shares, corresponding to 0.24% of the share capital, to execute the specialist contract, according to the terms and conditions therein described. At the date of the present report, this option had not been exercised, therefore the company holds 1,275,498 treasury shares in portfolio, equal to 2.014% of the share capital.

The Shareholders' Meeting called for the approval of the 2014 Annual Accounts will, among other issues, be requested to renew the approval for the purchase and utilisation of treasury shares.

Acceptance of the proposal would result in therefore, among other issues, the withdrawal of the previous authorisation granted on April 29, 2014, for that part not utilised.<sup>1</sup>

#### **l) Direction and co-ordination activities (as per Article 2497 of the Civil Code)**

The company is not subject to management and co-ordination pursuant to Art. 2497 and subsequent of the Civil Code.

This conclusion derives from the fact that the majority shareholder does not carry out management activities within the company and, although exercising their voting rights at the shareholders' meeting, does not exercise any managerial directives or have any involvement in the production and financial programmes. The Company therefore carries out its operations through a totally autonomous and independent decision-making process.

The disclosure required by Article 123-bis, paragraph 1, letter i) of the CFA are contained in Section 1 of the Remuneration Report, while the disclosure required by Article 123-bis, paragraph 1, letter l) are illustrated in the subsequent section "4.1 Appointment and replacement (as per Article 123-bis, paragraph 1, letter l), CFA)" below of the present Report.

### **3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)**

The company complies with the Self-Governance Code issued by Borsa Italiana S.p.A. and approved by the "Corporate Governance Committee" (July 2014 Edition).

Where the recommendations of the Code are not applied, the reasons for such are provided in the present report.

The Self-Governance Code is available on the website of Borsa Italiana S.p.A.: [www.borsaitaliana.it](http://www.borsaitaliana.it)

The Company, and its subsidiaries, are not subject to laws in force outside Italy which affect the Corporate Governance structure of Elica.

### **4. BOARD OF DIRECTORS**

#### **4.1 Appointment and replacement (as per Article 123-bis, paragraph 1, letter l), CFA)**

The appointment and replacement of directors is governed by Article 16 of the by-laws, which provides for slate voting. This mechanism, adopted on the renewal of the Board of Directors (last such resolution by the Shareholders' Meeting of April 27, 2012) and for the appointment of the Director Evasio Novarese (on April 24, 2014), will be applied also for the renewal of the Shareholders' Meeting for the approval of the 2014 Annual Accounts.

For further information on the manner of appointment of the Directors, reference is made to the subsequent section "Appointment of the Corporate Boards".

All amendments to the By-Laws are made based on the provisions of law and the by-laws themselves. In accordance with Article 19.2 of the By-Law, which adheres to Article 2365 of the civil code, adjustments to the by-laws in accordance with law are reserved to the Board of Directors.

\*\*\*

In relation to succession plans, latterly on November 13, 2014, the Board evaluated whether to adopt a succession plan for Executive Directors, pursuant to the provisions of Article 5.C.2. of the Code. The Board decided to refer any formalisation of one or more succession plan proposals for the Chief

---

<sup>1</sup>For further information, reference should be made to the Report of the Board of Directors' of Elica S.p.A. relating to the proposal to authorise and utilise Treasury Shares of March 19, 2015, available on the Company website.

Executive Officer to the free decision of the Board of Directors, which will be appointed at the Shareholders' Meeting for the approval of the 2014 Annual Accounts.

#### 4.2 Composition of the Board of Directors (as per Article 123-bis, paragraph 2, letter d), CFA)

The Board of Directors of the Company, in accordance with article 2 of the Self-Governance Code, is comprised of executive and non-executive directors with sufficient skills and levels of professionalism. At the date of the preparation of the present report, the number of independent directors in accordance with the CFA and the Self-Governance Code was three, out of a total of eight. This number is considered more than sufficient to undertake the functions of the independent directors.

As per article 16 of the By-laws, the Company is administered by a Board of Directors made up of between 5 and 11 members, including non-shareholders.

On April 27, 2012, the Ordinary Shareholders' Meeting of the Company, adopting the so-called "slate voting" system, conferred administration of the system to a Board of Directors comprising of seven members, which will remain in office until the approval of the financial statements at December 31, 2014, appointing Mr. Francesco Casoli as the Chairman of the Board of Directors. Subsequently, the Shareholders' AGM of April 24, 2013 resolved to increase the number of directors from seven to eight members and appointed the Director Evasio Novarese.

At the Shareholders AGM of April 27, 2012 two slates for the appointment of Directors were presented. One slate was presented by the majority shareholder FAN S.r.l. ("Majority Slate" or "Slate 1") and proposes as Directors Messrs.: Casoli Francesco, Sasso Andrea, Perialisi Gennaro, Romiti Stefano, Perucchetti Giuseppe and Perialisi Gianna. The other slate was presented by the Shareholders FIRST CAPITAL S.p.A. and IMMI INVEST S.r.l. ("Minority Slate" or "Slate 2") and proposes as Directors Messrs.: Magri Elena and Menghini Massimo. The Minority Slate was not connected in any way with the Majority Slate.

The result of the voting of Shareholders present at the Shareholders' Meeting was as follows:

- votes in favour of Slate 1 – 33,846,665, equal to 90.8045% of votes;
- votes in favour of Slate 2 – 3,342,539, equal to 8.9674% of votes;
- abstaining votes 46,977, equal to 0.1260% of votes; and
- not voting 38,019, equal to 0.1020% of votes.

Therefore the following were appointed as Directors: Casoli Francesco, Sasso Andrea, Perialisi Gennaro, Romiti Stefano, Perucchetti Giuseppe, Perialisi Gianna and Magri Elena.

With reference to the Shareholders' AGM of April 24, 2013, it should be noted that only one list was presented by the majority shareholder FAN S.r.l., which proposed the appointment of the Director Evasio Novarese. The Shareholders' AGM voted favourably to the appointment of the candidate proposed with 36,002,651 shares voting in favour, equal to 100% of the voting capital.

For further information on the composition of the Board of Directors of the Company at December 31, 2014, which coincides with the composition of the Board at the preparation date of the present report, reference should be made to "TABLE".

The curriculum vitae of the directors are summarised below.<sup>2</sup>

**Francesco Casoli:** Chairman of the Board of Directors of the Company from April 12, 2006; previously he was the Chief Executive Officer. He is the son of Ermanno Casoli, founder of Elica S.p.A., in which he has worked since 1978; in 1990, at just 29 years of age, he was appointed Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of FAN S.r.l. and the Sole Shareholder of Fintrack S.p.A.. From June 2005 to March 2006, he was the Chairman of Assindustria in the Province of Ancona. At the elections of April 9 and 10, 2006, he was elected to the Senate of the Italian Republic and re-elected in the elections of 2008, leaving the house in March 2013. More recently in August 2013 he was appointed Director of the Finish company Efore PLC, listed on the Nasdaq Omx Helsinki OY (small cap segment).

**Giuseppe Perucchetti:** C.E.O. of Elica S.p.A. since September 13, 2012; previously, from August 2011, he served as an Independent Director of the Company. Having graduated in Industrial Business Economics from the Bocconi University of Milan, he served in various roles in a number of leading companies. In the mid-1980's he began his

<sup>2</sup>Indication of involvement of directors in other companies listed on regulated markets (also foreign), in finance, banking, insurance or large enterprises, is reported in the following paragraph: "Maximum number of offices held in other companies"



career with Philips (IRE) as an assistant in the sales department. After 5 years he moved to Whirlpool, where he remained for 22 years, operating both domestically and internationally and within a number of departments. His final position with Whirlpool was Senior Vice President of Whirlpool Europe, Middle East and Africa and Council Chairman of Whirlpool Corporation. He has acted also as a management consultant. He collaborates with the Regional Economics University Research Centre and was a contracted lecturer at the Economics Faculty of the University of Milan-Bicocca.

**Gianna Pieralisi:** She has been an Executive Director of Elica S.p.A. since April 12, 2006. Between May 29, 1998 and April 12, 2006, she was Chairperson of the Board of Directors of the Company. She is the mother of the current Chairman of the Board of Directors. She acted as Chairperson of the Board of Directors of Air Force S.p.A. from March 2003 to April 2006. She is the Chairman of FAN S.r.l. and of the Ermanno Casoli Foundation.

**Gennaro Pieralisi:** He has been a member of the Board of Directors of Elica S.p.A. since 1970 and is a cousin of Ms. Gianna Pieralisi. Since the beginning of the 1980s, he has been the Chief Executive Officer of the businesses of the Pieralisi Group, in which, from 1998 he was also Chairman of the Board of Directors. In 1999 he received the Cavaliere del Lavoro knighthood of the Italian Republic. In June 2003, he was conferred the *Laurea Honoris Causa* in Agricultural Sciences and Technology; in addition to managing the family businesses he has fulfilled and currently holds various roles in industry associations and institutes such as Confindustria Ancona, Confindustria Marche, Confindustria, Confidi di Ancona, Assonime, Previsindustria and the Italian Accounting Organisation. He was a director of Banca Carifano and a member of the Management Board of Bank of Italy, Ancona office. He has been a member of, and is currently a member of, various Boards of Directors of Italian companies.

**Stefano Romiti:** He has been a member of the Board of Directors of Elica S.p.A. since April 12, 2006. He is Chairman of Antares Private Equity S.p.A.: private equity investment holding company and a Director of Antares Advisory which controls the former. He is also a Director of Futurimpresa S.G.R.. Previously, he was a Director of Telesia S.p.A., from February 2009 he worked at Banca Akros S.p.A. and from November 2006 he was the Chief Executive Officer of Arner Corporate Finance S.p.A., while from January 2006, he was the Chief Executive Officer of Pentar S.p.A.; from 2001 to 2005 he was the Chief Executive Officer of Deloitte & Touche Corporate Finance S.r.l. (now Deloitte Financial Advisory Services S.p.A.). Between 1992 and 2001 he was the Chief Executive Officer of Ernst & Young Corporate Finance S.p.A.. Previously from 1982 to 1992, he worked with Deloitte & Touche and from 1981 to 1982 with the Banca Nazionale del Lavoro. He is a contracted professor of Corporate Finance at the Economics Faculty of the Cattaneo LIUC of Castellanza University and collaborates with Bocconi in relation to the Masters in Corporate Finance. He has been a member of the Accountants Association of Milan since 2001 and is a member of the Auditors Register and from 1986 of the Technical Consultants Association of the Courts of Rome.

**Andrea Sasso:** He has been Chief Executive Officer of the Fimag Group (Finanziaria Mariano Guzzini) since May 2013. He is Chairman of the Board of Directors of Teuco Guzzini S.p.A. and a member of the Board of Directors of Elica and of iGuzzini illuminazione. He began his career with the Merloni-Elettrodomestici/Indesit Company Group where he held offices of increasing responsibility until becoming Chief Operating Officer and Chief Commercial Officer. He has been the Country Manager Italy of Pirelli Tyre and was the Chief Executive Officer of the Elica Group between April 2007 and September 2012. He was the Chairman of Confindustria Ceced Italia, the ANIE Federated Association of Domestic Appliance Producers and Professionals, Director of Confindustria Ancona and Confindustria Ceramica, Ordinary Member of World Class Manufacturing Association and of the Young Presidents' Organisation. He graduated in Economics and Commerce from the University of Le Ancona and completed the International Executive Programme of Insead (Fontainebleau/Singapore).

**Magri Elena:** She has been a member of the Board of Directors of Elica S.p.A. since April 27, 2012. She has also been a Director of First Capital S.p.A., Investment Company since May 2011. She previously served as an Executive Director in a number of companies, including from between 1980 and 2010 at Ori Martin S.p.A. and in its subsidiaries AOM S.r.l., Trafilati Martin S.p.A., Siderurgica Latina Martin S.p.A. and Strand Tech Inc., in addition as Director of Finprogetti and Banca del Garda. She graduated in Economics and Commerce from the University of Parma.

**Evasio Novarese:** He has been a member of the Board of Directors of Elica S.p.A. since April 24, 2013. Between 1968 and 2010 he has fulfilled various roles in a number of companies and in particular, between 1968 and 1973, with Ignis; thereafter, between 1973 and 1990 he worked with IRE; between 1990 and 2004 with Whirlpool, including as Executive Director for Industrial Relations; between 2004 and 2008 Chief Executive Officer and General Manager, first at the IAR Sital Group and thereafter at Sital S.p.A..

### Maximum number of offices held in other companies

In accordance with article 1.C.2 of the Self-Governance Code, the Board of Directors, based on the information received from the directors, state that none of its members currently hold the office of director or statutory auditor in listed companies in regulated markets including abroad, with the exception of the following Directors:



- Magri Elena, Director in First Capital S.p.A., specialised financial operator in Private Investments in Public Equity operations, listed on the AIM Italy market;  
 Francesco Casoli, who since August 2013 is a Director in Efore PLC, listed on the Nasdaq Omx Helsinki OY (small cap segment).

In accordance with Article 1.C.3 of the Self-Governance Code, the Board of Directors, latterly at the February 14, 2014 and February 12, 2015 meetings, has confirmed its position in relation to the maximum number of offices of director or statutory auditor which may be considered compatible with the proper fulfilment of the role of director of the Company, fixing at five the maximum number of offices of direction or control in other listed companies (including abroad).

The Board did not consider it necessary to define general criteria regarding the maximum number of appointments in other companies that can be considered compatible with an effective conduct of the role of director of the company, considering that this evaluation is primarily that of the Shareholders in nominating the directors and, subsequently, of the individual directors on accepting the office. The Board will however continue to evaluate individual cases, in relation to the attributes of each director (experience, positions held etc.) from which compatibility with the role can be evaluated. This evaluation will be made on the appointment to office and thereafter on an annual basis, principally utilising the following evaluation criteria: (i) the role of the Director within the Company (executive, non-executive, independent, member of one or more committees); (ii) the nature and size of entities in which offices are held and the office of the Director within such entities; and (iii) whether such entities are part of the group of the Issuer.

The following is also noted:<sup>3</sup>

- the Chairman of the Board of Directors Francesco Casoli fulfils, among others, the role of Sole Director with the finance company Fintrack S.p.A., of which he is also a shareholder. He is also Chairman of the Board of Directors and Chief Executive Officer of FAN S.r.l., which directly controls Elica S.p.A..<sup>4</sup> Finally, he was appointed a Director of Efore PLC, listed on the Nasdaq Omx Helsinki OY (small cap segment) and not part of the Group which the Company heads.
- the Director Gianna Pieralisi holds, among others, the role of Sole Director with the finance company Ermanno S.r.l., of which she is also a shareholder, as well as a shareholder of the finance companies: Cav. del Lav Igino Pieralisi S.a.p.a. of Igino Pieralisi and SAFE S.a.p.a. of Cav. Igino Pieralisi, of which he is also Chairman. SAFE S.a.p.a. has a holding in the Company. She is also a Director of FAN S.r.l., which directly controls Elica S.p.A..<sup>5</sup>
- the Director Gennaro Pieralisi holds, among others, the role of Director in the following finance companies: Egisto Pieralisi S.a.p.a. (Chairman), Mark Leasing S.p.A. (Chairman of the BoD and CEO), Frapi S.p.A. (Sole Director), M.A.I.P. S.p.A. (Chairman of the BoD and CEO), Pieralisi International S.A. (Chairman of the BoD and CEO), Confidi di Ancona e Rete Confidi Marche (Chairman); the insurance company Preindustria S.p.A. (Chairman of the BoD) in the following companies: Pieralisi S.p.A. (Chairman of the BoD and CEO), Pieralisi MAIP S.p.A. (Chairman of the BoD and CEO), MEPOP S.p.A. (Director), TV Centre Marches S.p.A. (Chairman of the BoD and CEO), Pieralisi Espana S.L. (Chairman of the BoD and CEO), not part of the Group which the Company heads.<sup>6</sup>
- the Director Mr. Stefano Romiti holds, among others, the position of Chairman of Antares Private Equity S.p.A..<sup>7</sup> and of the Savings Management company Futurimpresa.
- The Director Andrea Sasso is also Chief Executive Officer of the Fimag Group<sup>8</sup> and a Director of the large companies Teuco Guzzini S.p.A. and iGuzzini illuminazione. These companies are not part of the Group of the Company.

<sup>3</sup>For the identification of companies of a large size, the following parameters were taken into account: over 250 employees or revenues > Euro 50 million in the year or assets > Euro 43 million in the year.

<sup>4</sup>The financial companies listed are holding companies and are not considered in the lists as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

<sup>5</sup>The financial companies listed are holding companies and are not considered in the lists as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

<sup>6</sup>None of the financial companies listed, with the exception of Mark Leasing S.p.A. and Confidi Ancona, are listed as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

<sup>7</sup>Finance company no longer subject to oversight following the regulatory amendments.

<sup>8</sup>Financial companies not listed as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

### Induction Programme

Many of the Company Directors have, through professional experience or years of service, acquired knowledge in the sector in which the company operates, on relevant issues, in addition to the regulatory and self-regulatory framework. However, the Chairman of the Board of Directors periodically briefs the Directors and Statutory Auditors on relevant issues and upon the performances. This information is normally provided at the Board meetings and the informal ad hoc meetings, which may include visits to the production facilities of the company.

In addition, at the Board meetings, the Legal & Corporate Affairs Manager is called to outline any updates to the regulatory and self-regulatory framework, or to outline specific regulatory matters of interest to the directors and to the statutory auditors.

### 4.3 Role of the Board of Directors<sup>9</sup>

The Company is managed, under a traditional governance system, by a Board of Directors, which meets and operates in compliance with articles 1.P.1 and 1.P.2 of the Self-Governance Code.

In accordance with article 17 of the By-laws of the Company, except for the powers of convocation reserved to the Statutory Auditors in the cases established by law, the Board of Directors meets on the convocation of the Chairman, or in the case of his absence or impediment, of the Vice Chairman or the Executive Directors, if appointed, in order of seniority of age, or in the absence or impediment also of these, the most senior Director in terms of age, through registered letter, telefax or electronic mail, to be sent at least 5 days before the date of the meeting.

The company usually agrees, where possible, with the directors the dates of the board meetings and also the matters on the agenda. The significant documentation and information necessary to allow the Board to express, having fully been informed on the matters submitted for their review and approval, concerning the matters on the Agenda, is normally sent to the directors, in the manners agreed with each of them, reasonably in advance of the meeting date, except in exceptional circumstances in which, due to the nature of the motions, the need for confidentiality and/or the timelines with which the Board must undertake decisions, there are specific needs and/or urgencies.

The forwarding of the documentation together with the call notice of the Board, which is normally five days before the meeting, is considered sufficient to permit a review of the same by the directors. This period however is extended, in concert with the directors, in the case of particularly large or complex documentation, and whereby the key elements are illustrated in summary documents - although such should not be considered as a replacement for the complete documentation - which permit the directors to promptly understand the important matters to be dealt with during the meeting. Such presentation documentation is normally filed together with official documentation of the meeting.

During 2014, the above-mentioned period of five days was generally complied with and in any case, the Board was informed with sufficient notice in order to undertake a complete and correct valuation of the matters under examination, appropriately exploring all matters subject to Board of Directors' motions.

The documents containing confidential information are normally sent only and directly to Directors, specifying the nature of the document and through the manner agreed with each Director individually, in order to ensure confidentiality.

As well as the Secretary to the Board, the Chief Financial Officer usually attends the Board meetings, who provides greater details on the financial implications of the matters on the agenda. On the occasion of specific resolutions, senior managers responsible for the specific functions or managers in charge of specific activities and/or consultants directly involved are invited to express and provide opinions on the matters on the Agenda. For example purposes only, on motions concerning the remuneration of the Executive Directors, the Human Resources department manager attends.

The Chairman of the Board meeting ensures that the matters subject to discussion are allocated the time necessary to ensure constructive debate and which encourages the contribution of Directors; it is

<sup>9</sup>The number of meetings of the Board held in 2014, the average duration, the number of meetings scheduled for the current year, as well as the percentage attendance at the Board of Directors' meetings and of the Committees are indicated in the Section: "Activities of the Board of Directors and of the Committees in 2014 and 2015 up to the date of the present Report".

ensured also that all the necessary and requested reviews and assessments are carried out at the board meetings.

The meetings of the Board of Directors take place at least four times per year, at least quarterly and every time the Chairman considers it necessary or when a request as outlined above is made.

In accordance with Article 19 of the By-Laws, the Board of Directors are attributed the widest powers for the management of the Company and the faculty to carry out all acts and operations considered necessary for the reaching of the corporate objectives, except in the case of those attributed by law to the Shareholders' Meeting or deriving from specific authorisations required by the By-Laws.

The Board of Directors also has the following duties:

- a) merger and spin-off resolutions in the cases established by articles 2505 and 2505-bis, of the Civil Code;
- b) the opening, transfer and closing of secondary offices;
- c) the indication of which Directors may represent the company;
- d) the issue of non-convertible bonds within the limits set out in article 2412 of the Civil Code and convertible within the limits set by article 2420-ter of the Civil Code;
- e) the reduction of the share capital in the case of return of shares by shareholders;
- f) updating the company by-laws and the shareholder meeting regulation in accordance with law;
- g) the transfer of the registered office to another municipality in the national territory;
- h) the reduction of the share capital where losses are greater than one-third of the share capital and the Company has issued shares without nominal value.

Based on the powers conferred, the Board of Directors:

- examine and approve the strategic, industrial and financial plans of the Company and of the Group, periodically monitoring their implementation; establish the corporate governance of the Company and the structure of the Group.
- define the nature and level of risk compatible with the strategic objectives of the Company;
- evaluate the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries having strategic importance<sup>10</sup>, which has been implemented by the executive directors with particular reference to the internal control and risk management system. In particular, in 2014, the evaluation of the adequacy of the organisational, administrative and accounting structure of the Company and of the subsidiaries was carried out by the Board at the meeting of August 28, 2014, based on the information provided by the relevant company departments and the audit results and activities of the Internal Audit Department. In order to ensure improved oversight and efficacy of the Internal Audit department also over the subsidiaries, at the meeting of November 13, 2014, the Internal Auditing structure of the Company was amended with the full outsourcing of the function. On this occasion, an assessment of the adequacy of the Internal Control and Risk Management System according to the characteristics of the Company was carried out. The assessment as per Article 1.C.1. letter c) of the Code was repeated, with a positive outcome, on March 19, 2015;
- evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets. In particular, the Board evaluates the general operational performance, on the occasion of the approval of the quarterly and half-yearly reports;
- considers operations of the Company and its subsidiaries, when such operations have a significant strategic, economic, equity or financial importance for the Company or when the Executive Directors consider the involvement of the Board appropriate, although not relating to significant operations. The Board motions of the Issuer concerning subsidiary operations are justified also by the need to expressly authorise significant operations or certain decisions which need to be approved, according to regulations or the by-laws, by the shareholders of such companies.

<sup>10</sup>The Board of Directors of Elica, considering the size of the group which the Company heads, usually extends this assessment to all subsidiaries; on the approval of the 2015 audit plan, the Board established that, for the plan, in order to identify the scope of the Internal Audit activities, the criteria outlined at Article 151 of the Issuers' Regulation should be used to identify the subsidiaries of Elica with strategic importance.

Following the entry into force of Consob Regulation No. 17221/10, the Board identified specific criteria for the identification of significant transactions, in accordance with the provisions of attachment 3 of the regulation.<sup>11</sup> In addition, the Board undertakes all decisions not specifically attributed to the Executive Directors.<sup>12</sup>

In relation to the year 2014, the Restructuring Plan linked to the Serra San Quirico (AN) plant conversion and the acquisition by the subsidiary Elica Group Polska Sp. Zo.o. of the Polish company I.S.M. Poland, located in Wroclaw (Poland) are evidenced.

- carry out, at least once a year, an evaluation on the functioning of the Board and of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of service.

This assessment was carried out latterly at the meeting of November 13, 2014, which considered the functioning of the Board as adequate and proposing for its new mandate, to be granted at the Shareholders' Meeting for the approval of 2014 accounts, that such remains composed of seven or a maximum eight members,<sup>13</sup> continuing to include members with a range of managerial skills and experience, with at least one having appropriate financial or remuneration policy experience and one with appropriate accounting and financial or risk management experience, with the presence of members with knowledge of the sector in which the group operates and the presence of not less than two independent directors also recommended. Finally, in relation to gender quotas, the presence of at least one-fifth of the under-represented gender will be ensured.<sup>14</sup> Considering the imminent conclusion of the Board's mandate, the self-assessment process in 2014 considers, among other matters, the possible requirements to be established by the Board itself.

\*\*\*

The Shareholders' Meeting did not authorise, nor were the Board presented with, any general or specific competitor agreements as per article 2390 of the civil code.

#### **Activities of the Board of Directors and of the Committees in 2014 and 2015 up to the date of the present Report.**

In the year 2014:

- the Board of Directors met five times (the average meeting duration was approx. 1 hour and 30 minutes), respectively on February 14, March 21, March 14, May 14, June 19, August 28 and November 13;
- the Internal Control and Risk Management Committee met three times (average meeting duration of approx. one hour), respectively on March 18, July 21 and October 28;
- the Appointments and Remuneration Committee met twice (average meeting duration of approx. one hour), respectively on March 18 and November 4;

Minutes are kept of the Board and Committee meetings.

In TABLE 2 - Attendance at the Board of Director and Committee meetings, complete details are shown relating to attendances by directors at the meetings of the Board of Directors and the Committees (Internal Control and Risk Management Committee and the Appointments and Remuneration Committee) in the period from January 1, 2014 to December 31, 2014.

<sup>11</sup>Reference should be made in this regard to the procedure for transactions with related parties adopted by the Board of Directors on November 11, 2010, in accordance with Article 2391-bis of the Civil Code and Article 4 of the Consob Regulation concerning related parties, approved with resolution No. 17221 of March 12, 2010, as subsequently amended ("Transactions with related parties procedure Consob Regulation"), available on the Company website <http://corporation.elica.com> in the Corporate Governance Section.

<sup>12</sup>See in this regard the Section "4.4 Executive Boards".

<sup>13</sup>On the approval of the Directors' Report to the Shareholders' Meeting on the fifth and sixth points of the Agenda, on March 19, 2015, it was therefore decided to propose to the Shareholders' Meeting that the Board remains comprised of eight members.

<sup>14</sup>For greater details, see the Directors' Report to the Shareholders' Meeting on the fifth and sixth points on the Agenda, of March 19, 2015.

In relation to 2015, at the date of the present Report, 6 meetings of the Board of Directors are scheduled - on the approval of the interim financial statements and on the Shareholders' Meeting for the approval of the Annual Accounts.<sup>15</sup> For further details, the corporate events calendar of the Company may be consulted on the website <http://corporation.elica.com> in the Investor Relations section.

Also in relation to 2015, the Appointments and Remuneration Committee met on March 18, while the Internal Control and Risk Management Committee met on February 11 and March 18. Further meetings of the Committees are scheduled for 2015, with the dates not yet definitively established.

#### 4.4 Executive Boards

In order to ensure greater management efficiency and in conformity with article 2 of the Self-Governance Code, the Board of Directors delegated adequate powers to the Executive Directors, who periodically report in relation to the exercise of such delegated powers.

Following that resolved by the Board of Directors in the meetings of April 27, 2012 and September 13, 2012, the following powers were attributed:

- A) to the **Chairman of the Board of Directors** of the Company, Mr. FRANCESCO CASOLI ("Executive Chairman"), representation of the Company against third parties and in legal matters, general supervision of the strategic policies of the Company as well as all powers which the By-Laws attribute to the Board of Directors with the exception of those non legally delegable and the following powers which remain within the exclusive realm of the Board of Directors:
- approval of the annual budget;
  - purchase and/or sale of investments, businesses and business units, rental of businesses and/or business units, for a unitary amount above Euro 3,500,000.00;
  - provision of secured and non-secured guarantees, including atypical, for third party obligations of a unitary amount above Euro 3,500,000.00;
  - obtainment of loans of a unitary amount above Euro 5,000,000.00;
  - conclusion of leasing or rental contracts for a unitary amount above Euro 3,500,000.00;
  - purchase and/or sale of assets for a unitary amount above Euro 3,500,000.00;
  - purchase and/or sale of brands, trademarks and industrial property rights in general, as well as the conclusion of related licences;
  - the appointment of the General Manager of the Company;
  - every deliberation regarding the exercise of the voting right of subsidiary and/or associated companies for matters related to the present list of powers.

A further exception of the powers attributed to the Chairman Mr. Francesco Casoli relates to the powers of the "person in charge" concerning the treatment by Elica S.p.A. of personal details in accordance with Legislative Decree 196/03 and subsequent amendments and integrations, including the representation of the Company with third parties and the Privacy Guarantee, which is the exclusive competence of the Chief Executive Officer Mr. Giuseppe Perucchetti.

The unitary limits stated above include also several operations of the same nature classifiable by manner, terms or scope as a single operation.

In relation to all of the powers conferred, the Executive Chairman will have the faculty to appoint powers of attorney for single acts or categories of acts.

The Board of Directors conferred the powers above to the Chairman, in consideration of the role which the Chairman has had and has in the growth of the Company and based on his experience and professionalism in the sector.

- B) to the **Chief Executive Officer** of the Company, Mr. GIUSEPPE PERUCCHETTI, all powers which the By-Laws attribute to the Board of Directors with the exception of those of extraordinary

<sup>15</sup>The six meetings scheduled includes the meetings already held on February 12, 2014 and March 19, 2015.



administration, those non legally delegable and the following powers which remain within the exclusive remit of the Board of Directors:

- approval of the annual budget;
- purchase and/or sale of investments, businesses and business units, rental of businesses and/or business units, for a unitary amount above Euro 3,500,000.00;
- provision of secured and non-secured guarantees, including atypical, for third party obligations of a unitary amount above Euro 3,500,000.00;
- obtainment of loans of a unitary amount above Euro 5,000,000.00;
- conclusion of leasing or rental contracts for a unitary amount above Euro 3,500,000.00;
- purchase and/or sale of assets for a unitary amount above Euro 3,500,000.00;
- purchase and/or sale of brands, trademarks and industrial property rights in general, as well as the conclusion of related licences;
- the appointment of the General Manager of the Company;
- every deliberation regarding the exercise of the voting right of subsidiary and/or associated companies for matters related to the present list of powers.

The Chief Executive Officer Mr. Giuseppe Perucchetti, is attributed all the powers of the “person in charge” concerning the treatment by Elica S.p.A. of personal details in accordance with Legislative Decree 196/03 and subsequent amendments and integrations, including the representation of the Company with third parties and the Privacy Guarantee.

The unitary limits stated above include also several operations of the same nature classifiable by manner, terms or scope as a single operation.

The Chief Executive Officer is also conferred representation of the Company against third parties and in legal matters, within the limits of the powers conferred to him.

In relation to all of the powers conferred, the Chief Executive Officer will have the faculty to appoint powers of attorney for single acts or categories of acts.

Despite the scope of the powers of the Chairman, the Chief Executive Officer is the main person responsible for the management of the Issuer (C.E.O.).

No situations giving rise to the Interlocking Directorate arise, in accordance with Article 2.C.5 of the Code.

C) to the **Executive Director** of the Company, Ms. GIANNA PIERALISI, the following powers:

- obtaining of loans with a duration not above 36 months and/or of a unitary amount not above Euro 5,000,000.00;
- ensuring the best utilisation of funds on bank current accounts and related overdraft facilities;
- undertaking foreign exchange hedging operations relating to underlying commercial operations;
- conclude with any factoring company, domestic or foreign, sales and/or insurance contracts for trade, tax or other receivables, and also within the exclusive interest of the company, any other type of operation relating to the provision of guarantees, mandates for payment, discount operations and those relating to single factoring transactions;
- open, utilise and close current accounts with banking, credit and financial institutions, post offices, with the faculty to settle within her discretion all of the sums relating to the Company, which are paid or accredited of any type;
- endorse, present for collection or protest cheques, bill of exchange, bank, postal and telegraphic drafts, warrants and travellers cheques;
- collect receivables, subventions, mandates of any type, amounts due to the Company, both capital and interest and accessories, from private sources, Public Administration and banking and credit institutions, with power to settle fully all such accounts;
- authorise Banking Institutions to give effect to instructions relating to the payment of invoices, salaries and those sums related to working relationships and, more in general, payments relating to contractual commitments already approved by the Company;

- carry out all transfer of funds from bank to bank;
- sign any contract relating to the management of general services of the Company with the exclusion of production activities.

All of the limits of value above, where not otherwise specified, must include the total amount of volume referred for each single transaction, precluding the dividing of commitments of expenses into several amounts.

The Executive Director is also conferred the representation of the Company against third parties and in legal matters, within the limits of the powers conferred to her.

In relation to all of the powers conferred, the Executive Director will have the faculty to appoint powers of attorney for single acts or categories of acts.

## Reporting to the Board of Directors

In order to guarantee transparency and proper disclosure within the Company relating to the activities carried out by the directors with operational powers, and in conformity with Article 1.C.1, letter d), of the Code and the By-laws, the executive directors report in a timely manner, and at least quarterly, to the Board of Directors and the Board of Statutory Auditors in relation to the activities carried out in execution of the powers delegated, on the general performance and on the outlook, as well as on significant operations for size or characteristics carried out by the Company and its subsidiaries.

In particular, the company bodies report upon any atypical and unusual transactions with related parties and/or which may cause potential conflicts of interest, on their own behalf or of third parties, as well as concerning the strategic plan, industrial and financial projects of the Company and of the Group<sup>16</sup>.

In 2014, the executive directors reported systematically to the Board in relation to the powers delegated to them.

## 4.5 Other Executive Directors

No other directors apart from those indicated in the previous Section 4.4 are considered as executive directors within the Company.<sup>17</sup>

## 4.6 Independent Directors

In accordance with Article 3.P.1 of the Code the Board contains three independent non-executive directors: Stefano Romiti, Elena Magri and Evasio Novarese; this latter Director appointed by the Shareholders' Meeting of April 24, 2013.

The independent directors, following the evaluation carried out by the Board of Directors in conformity with Articles 3.C.1 and 2 of the Self-Governance Code and Article 148, paragraph 3 of the CFA, are considered independent as:

- a) they do not directly or indirectly, including through subsidiaries, trusts or nominees, control the company and are not capable of exercising significant influence, or participate in a shareholder agreement through which one or more parties can exercise control or significant influence on the Company;
- b) they are not and have not been in the previous three years, a senior representative<sup>18</sup> of the Company or of one of its subsidiaries with strategic importance or of a company subject to common control, or of

<sup>16</sup>For further information on the procedures concerning transactions with related parties and/or which may result in potential conflicts of interests, reference is made to the subsequent section "12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES", in addition to the Procedures for Transactions with Related Parties, published on the website of the Company <http://corporation.elica.com> (Corporate Governance section).

<sup>17</sup>The Chairman of the Board of Directors, Francesco Casoli acts as the Sole Director of Fintrack S.p.A. and is the Executive Director of FAN S.r.l., while the Executive Director, Gianna Pieralisi, is a director of FAN S.r.l.

<sup>18</sup>"Senior representatives" of a company or an entity concern: the Chairman of the body, the Chairman of the Board of Directors, the Executive Directors and senior management.



a company or of a body that, even together with others through a shareholder agreement, controls the Company or is able to exercise significant influence;

c) they do not have and have not had, directly or indirectly (for example through subsidiary companies or where they are a relevant member, or as partner of a professional advisory firm or a consultancy company) in the previous year, a significant commercial, financial or professional relationship:

- with the Company, a subsidiary, or with some relevant members;
- with a party that, also together with others through a shareholder agreement, controls the Company, or – in relation to companies or bodies - with the relevant members;

or are not and were not in the previous three years, an employee of one of the above parties;

d) they do not receive and have not received in the previous three years, from the Company or a subsidiary or parent company a significant additional remuneration other than the “fixed” fee of non-executive director and the compensation for Committee membership established by the Code, including incentive participation plans relating to the performance of the company, including share-based payments;

e) they have not been a director of the Company for more than nine of the past twelve years;

f) they are not an executive director in another company in which an executive director of the Company is a director;

g) they are not shareholders or directors of a company or of an entity belonging to the network of the auditors of the Company;

h) they do not have a close family member in a situation described in the previous points.

i) the conditions established by Article 2382 of the Civil Code are not applicable;

l) they are not spouses, relatives or close members within the fourth level of the directors of the Company; they are not directors, spouses, relatives or similar within the fourth level of the directors of the companies controlled, of the companies that control it or subject to common control;

m) they are not related to the company or any subsidiaries or companies that control the company or subject to any common control or to the directors of the company or any parties at letter l) above or independent or subordinated employment or any other monetary or professional relationship which may compromise their independence.

The assessment of independence, in accordance with Article 3.C.4 of the Code and Article 147-ter, paragraph 4 of the CFA, based on the declarations made by the interested parties and available to the Company, was conducted by the Board of Directors on March 21, 2014. The result of this assessment was communicated to the market. At the same time, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board in accordance with Article 3.C.5 of the Code. For the result of these evaluations, reference should be made to the subsequent Section “Board of Statutory Auditors activities in 2014 and in 2015 until the date of the present Report” and to that reported in the Board of Statutory Auditors Report to the Shareholders’ Meeting, available on the Company website <http://corporation.elica.com> in the Investor Relations Section.

The presence of three Non-Executive and independent Directors on the board of the company has the objective of achieving the greatest possible corporate “good governance” through enabling debate and dialogue between all of the Directors.

The contribution of the independent directors permits the Board to evaluate with sufficient independence in cases of potential conflicts of interest of the Company with the controlling shareholders.

In 2014, the Independent Directors, in accordance with Article 3.C.6 of the Code, met on November 11, in order to examine the structure and activities of the Company, including the implementation of the Regulation for Transactions with related parties, without noting any irregularities. In more detail, the independent directors assessed positively: management’s actions in the management of the restructuring plan put in place by the Company, the situation of the group with particular regard to the Chinese and Indian companies and the internalisation of manufacturing at the Polish subsidiary.

In relation to the amendment to the Internal Audit system structure, the independent directors favourably considered the outsourcing proposal, thereafter approved by the Board. The independent directors, during the above-mentioned meeting, also reported that there were no matters on the structure of the company or on its operations on which they have not independently expressed their opinion during the Board of Directors’ meeting.

Directors who declare their independence are committed to maintain such for the duration of their mandate.

#### 4.7 Lead Independent Director

The Board meeting of April 27, 2012 reconfirmed Mr. Stefano Romiti as the Lead Independent Director, assigning the role established by criteria 2.C.4 of the Code.

The Lead Independent Director has the right, among others, on his own initiative or upon the request of the other directors, to summon meetings of the independent directors in order to discuss issues that are considered relevant regarding the functioning of the Board of Directors or management in general.

In 2014, the Lead Independent Director operated as a reference point for the other independent directors, collaborating, among others, with the Chairman of the Board of Directors, in order to guarantee complete and timely information for the independent directors.

The appointment of a Lead Independent Director was considered necessary by the Board of Directors in consideration, among other issues, of the extent of the duties conferred to the Chairman of the Board of Directors (although he does not act as C.E.O.), the offices held in the company's holding companies and the familial relationship between the Chairman and the Chief Executive Officer Gianna Pieralisi, who indirectly holds control of the Company, in accordance with Article 93 of the CFA.

#### 5. HANDLING OF CORPORATE INFORMATION AND PERSONS WITH ACCESS TO CONFIDENTIAL INFORMATION ("INSIDERS REGISTER").

The Board of Directors, in the meeting of April 12, 2006, approved, in accordance with article 4 of the Self-Governance Code, a regulation relating to the internal management and external communication of documents and information related to the Company, with particular reference to confidential information, based on article 114, paragraph 1, 181 of the CFA and 66 of the Issuers' Regulation.

Subsequently, on November 14, 2013, the Board updated this regulation describing, among other matters, in greater detail the procedures to be undertaken for the management of significant and confidential information.

In particular this regulation is divided into two parts. The first part defines in general, also in relation to the subsidiary companies, the information considered significant or confidential, the relative treatment, and in the case of confidential information, governs the relative disclosure. The second part governs the procedures for the management and updating also with reference to subsidiary companies, the Register of persons with access to confidential and/or price sensitive information (so-called "Insider Register") created by the company in accordance with article 115-bis of the Consolidated Finance Act and whose maintenance is the responsibility of the Investor Relations Manager.

The Company has published the provisions of this regulation internally within the Company and its subsidiary companies and has systematically managed and communicated the confidential information published from time to time.

On September 27, 2007, Laura Giovanetti was appointed "Investor Relations Manager" and is also responsible for maintaining the Insider Register of the Company.

#### 6. INTERNAL COMMITTEES

On April 27, 2012, the Board of Directors of the Company, in accordance with Article 4.P.1 of the Self-Governance Code, set up an "Appointments and Remuneration Committee" and an "Internal Control and Risk Management Committee", formed by a majority of non-executive and independent directors.

The duties attributed by the Code to the Committees were therefore not reserved for the entire Board.

In comparison with the previous structure established in 2006 the functions of the Appointments Committee, previously not incorporated, were allocated to the Remuneration Committee, in accordance with Article 4.C.1, letter c) and in compliance with the provisions of Articles 5.P.1 and 6.P.3 of the Code. The decision to create a single Committee for the Appointment and Remuneration of Directors is based

on the size of the Board and of the Company, in addition to the need of the Company to maintain, and compliance with the conditions of the Code, a responsive and effective organisation.

The Internal Control and Risk Management Committee, created in accordance with Articles 4.P.1, 7.P.3. (ii) and 7.P.4 of the Self-Governance Code, replaced the Internal Control Committee.

The work of the Committee is coordinated by its Chairman: Stefano Romiti.

Further information on these committees is reported in sections “7. APPOINTMENTS COMMITTEE”, “8.

APPOINTMENTS AND REMUNERATION COMMITTEE” and “10. CONTROL AND RISKS COMMITTEE.”

## 7. APPOINTMENTS COMMITTEE

The Company did not consider it necessary to create a specific Appointments Committee and consequently allocated the relative duties to the Remuneration Committee, now the Appointments and Remuneration Committee.

For further information, reference should be made to section “6. INTERNAL COMMITTEES” and “8. Appointments and Remuneration Committee

## 8. APPOINTMENTS AND REMUNERATION COMMITTEE

### **Composition and operation of the Committee (as per Article 123-bis, paragraph 2, letter d) CFA)**

The Board of Directors of the Company, in accordance with articles 4.P.1, 5.P.1. and 6.P.3. of the Self-Governance Code, set up an Appointments and Remuneration Committee.

Stefano Romiti (Chairman), Gennaro Pieralisi and Elena Magri were members of the Committee during 2014 and continue to be members at the date of the present report.

The Appointments and Remuneration Committee was allocated all of the duties established by Articles 5.C.1, 6.P.4 and 6.C.5 of the Self-Governance Code.

The Members of the Committee have knowledge and experience in relation to accounting and financial matters and/or remuneration policies; in particular the Chairman Stefano Romiti has specific knowledge and experience in relation to accounting and financial matters. The Board considers that the Members of the Committee have sufficient professional abilities to carry out the roles entrusted to them.

This committee guarantees the greatest information and transparency on the remuneration of directors vested with specific offices, as well as the manner for determining the remuneration.

The Committee has solely proposing and consultative functions, while the power of determining the remuneration of the Directors vested with specific offices remains with the Board of Directors, having consulted with the Board of Statutory Auditors.

Specifically, the Committee:

- presents to the Board proposals for the drawing up of a Remuneration Policy for Executive Directors, of Directors allocated specific roles and Executives with strategic responsibilities, in addition to the establishment of the performance objectives related to the variable component of such remuneration;
- monitors the application of the decisions adopted by the Board, verifying, in particular, the effective achievement of the performance objectives.
- periodically evaluates the adequacy, the overall compliance and the proper application of the remuneration policy adopted, utilising for this latter the information provided by the Executive Directors;
- draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board is considered beneficial, in addition to the matters as per Application criteria 1.C.3 and 1.C.4 of the Code;
- proposes to the Board candidates for the office of director in the cases of co-option, or to replace independent directors.

In relation to the activities undertaken by the Committee in 2014, the persons participating at the relative meetings and the instruments and resources available at the meetings, reference should be made to the first Section of the Remuneration Report.

For further information regarding the number of meetings held and the participation at the meetings for each of the members, reference is made to section "Activities of the Board of Directors and of the Committees in 2014 and 2015 up to the date of the present Report."

## 9. REMUNERATION OF DIRECTORS

For information on the present Section, reference should be made to the Remuneration Report, Section 1.

In accordance with Article 6.C.3 of the Civil Code, the remuneration of Executives with strategic responsibilities is established by the Corporate Boards in line with the criteria concerning remuneration of Executive Directors or those with specific roles.

In relation to the incentives for the Executive Responsible for the preparation of Corporate Accounting Documents, these are in line with the responsibilities assigned. This is also the case for the incentive mechanisms reported to the Internal Audit Manager for the complete outsourcing of the function in November 2014.

## 10. CONTROL AND RISKS COMMITTEE

### Composition and operation of the Committee (as per Article 123-bis, paragraph 2, letter d) CFA)

The Board of Directors of the Company, in accordance with Articles 4.P.1 and 7.P.4 of the Self-Governance Code, set up an Internal Control and Risk Management Committee, comprised of three Non-Executive Directors, the majority of which independent. Stefano Romiti (Chairman), Gennaro Pieralisi and Elena Magri were members of the Committee during 2014 and continue to be members at the date of the present report.

The Internal Control and Risk Management Committee is composed of members with adequate financial, accounting and risk management experience.

The Board of Statutory Auditors is required to attend the meetings of the Committee, through the Chairman and the Standing Members of the Board. In relation to the specific matters on the Agenda, and also on invitation, the following also attended: the Executive responsible for the Preparation of the Corporate Accounting Documents, the Internal Audit Manager and the Company Managers.

The duties of the Internal Control and Risk Management Committee, within its powers, and in accordance with the recommendations of the Self-Governance Code, are as follows:

- provide opinions to the Board of Directors (i) establishing the guidelines of the Internal Control and Risk Management System, so that the principal risks relating to the Company and its subsidiaries are correctly identified, in addition to adequately measured, managed and monitored (ii) evaluating, at least annually, the adequacy of the Internal and Risk Management System in relation to the characteristics of the Company and the risk profile assumed, in addition to its efficacy (iii) approving, at least annually, the work plan prepared by the Internal Audit Manager, having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System (iv) in the description of the principal characteristics of the internal control and risk management system for the evaluation of its adequacy; and (v) having consulted with the Board of Statutory Auditors, the findings of the independent audit firm in any letter containing suggestions and in the report on fundamental questions arising during the audit;
- provides a favourable opinion to the Board of Directors (i) on the appointment and replacement of the Internal Audit manager (ii) ensuring adequate resources for the carrying out of their duties and the determination of the remuneration of the Internal Audit manager, in accordance with company policy;
- evaluate, together with the Executive Responsible for the preparation of corporate accounting documents, following consultation with the auditors and the board of statutory auditors, the correct application of the accounting principles and, in the case of groups, their uniformity in the preparation of the consolidated financial statements;

- express opinions on specific aspects concerning the identification of the principal corporate risks;
- examine the periodic reports, concerning the evaluation of the internal control and management of risks system, and those of particular size, prepared by the internal audit department;
- monitor the independence, adequacy, efficacy and efficiency of the internal audit department;
- request verifications on specific operating areas from the Internal Audit department, communicating at the same time such to the Chairman of the Board of Statutory Auditors;
- report, at least every six months, at the time of the approval of the annual and half-yearly accounts, to the Board of Directors on the work carried out and on the adequacy of the internal control and risk management system;
- perform the additional consultative and/or propositional tasks assigned by the Board of Directors, particularly with regard to relations with the independent audit firm.

The Internal Control and Risk Management Committee was also allocated the role to issue a non-binding prior opinion on the interest of the company, as well as the suitability and substantial correctness of the conditions, in the case of transactions with related parties as per the Procedure for Transactions with Related Parties<sup>19</sup>.

In 2014, the Internal Control and Risk Management Committee, among other actions:

- evaluated the independence, adequacy, efficacy and efficiency of the Internal Audit function, considering a new and more specific assessment appropriate for the continued optimisation of the structure, with the outsourcing of the Internal Audit function; assessed and approved the proposal of the Internal Audit annual plan for 2015 and the activities carried out in 2014, providing suggestions and additions;
- verified the adequacy of the Internal Control and Risk Management System and provided support to the Board of Directors in drawing up the Guidelines for the Internal Control and Risk Management System.

The Committee had access to the information and departments for the undertaking of their duties as well as the assistance of external consultants, within the terms established by the Board. Therefore, as the Committee availed of the resources, the means and the structure of the Company, the provision of specific financial resources is not provided for.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER B), CFA)**

The Internal Control and Risk Management System, based on the “COSO Report” model and on the Self-Governance Code principles, comprises a set of rules, procedures and organisational structures with the objective to prevent or limit the consequences of unexpected results or permit the achievement of strategic and operational objectives, comply with law and applicable regulations (compliance) and correct and transparent disclosure (reporting). This system concerns all of the Company and involves different parties attributed specific duties and responsibilities.

The Internal Accounting Control System in fact seeks to provide reasonable certainty that the accounting disclosure provides users with a true and fair representation of the operational facts, corresponding to the documented results, books and underlying accounting entries as well as the adequacy and effective application of the administrative and accounting procedures during the period to which the accounting documents refer.

<sup>19</sup> See also par.: 4.1 “Prior opinion of the Committee” of the procedure for Transactions with Related Parties, available on the Company website. For further information regarding the participation at the meetings for each of the members, reference is made to section “Activities of the Board of Directors and of the Committees in 2014 and 2015 up to the date of the present Report.”.

This system, based on national and international best practice, is broken down according to the following three levels of control:

- Level 1: the operating functions identify and evaluate the risks and define specific actions for their management (so-called line controls);
- Level 2: the risk control functions concern the establishment of methodologies and instruments for the management of risks relating to operations and the carrying out of risk monitoring activities;
- Level 3: the Internal Audit function provides independent evaluations on the entire System.

The Board of Directors of Elica defined the guidelines of the Internal Control System, taking into account the nature and level of compatible risk with the corporate strategic objectives. These risks are identified based on the following criteria:

- a) nature of the risk, particularly in relation to risks of a financial nature, those concerning compliance with accounting rules and those with a potentially significant impact on the reputation of the Company;
- b) significant probability of the occurrence of the risk;
- c) limited capacity of the Company to reduce the impact of the risk on operations;
- d) significant size of the risk.

Also in the year just ended, the Board evaluated the adequacy, efficiency and effective functioning of the Internal Control and Risk Management System considering that the system overall provides reasonable certainty on the management of the principal risks identified. In addition, the Board of Directors, having consulted the Board of Statutory Auditors and Director in charge of the Internal Control and Risk Management System, approved the 2015 Audit Plan, prepared by the Internal Audit Department.

For details of the principal characteristics of the Risk Management and Internal Control System in relation to the Financial Disclosure process, reference should be made to ATTACHMENT 2

### **11.1 Executive in charge of the Internal Control and Risk Management System**

The Company appointed the Chief Executive Officer Mr. Giuseppe Perucchetti as the Executive in charge of the creation and maintenance of an efficient Internal Control and Risk Management System, in line with Article 7.P.3 of the Self-Governance Code.

In particular, in 2014, the appointed Director, in the exercise of his functions:

- identified the main business risks, taking into account the characteristics of the activities undertaken by the Issuer and by its subsidiaries, and periodically presents them for examination to the Board of Directors on the approval of the quarterly reports;
- shared with the Board of Directors the guidelines utilised for the design, drawing up and management of the Internal Control and Risk Management System, verified the adequacy and implemented any adjustments necessary based on the operating conditions and of the legislative and regulatory environment. In particular, the Board were updated on the developments of current projects relating to the internal restructuring, and to the harmonisation of the IT Systems and the Internal Control System in general and any problems encountered in carrying out company operations;
- he also requested the Internal Audit Department to perform checks on certain cost items in a number of foreign subsidiaries;
- updated the Board of Directors on any problems arising on the undertaking of their activities;
- proposed to the Board of Directors to appoint an external party to execute the Internal Audit function, ensuring that such party is assigned adequate resources to execute their responsibilities.



## 11.2 Internal Audit Department Manager

The Internal Audit department undertakes its Internal Auditing activity in order to assist the Board of Directors and the Control and Risks Committee, as well as the company's management, in discharging their responsibilities related to the Internal Control and Risk Management System. The Internal Audit department, which does not report directly to any operational department, reports to the Board of Directors.

In accordance with the recommendations indicated at Articles 7.C.1 and 7.C.6 of the Self-Governance Code, on the proposal of the Executive in charge of the Internal Control and Risk Management System, having consulted with the Board of Statutory Auditors and with the approval of the Internal Control and Risk Management Committee, the Board of Directors on November 13, 2014 appointed, until December 31, 2017, Protiviti S.r.l., a management consultancy company, leader in the analysis and design of governance and organisation and control models, to execute the Internal Audit function. This choice was made, among other issues, with the objective to ensure greater oversight for operations and the adequacy of the internal control and risk management system.

The Internal Audit Manager, until November 2014, was provided with:

- maximum independence from all departments;
- the necessary authorisation to directly access all of the information required for the fulfilment of his role;
- access to an adequate budget to carry out his duties.

In particular, the most significant activities carried out in the year by the Internal Audit Manager, in the person of Cristiano Babbo, were:

- periodically reported on activities to the Internal Control and Risk Management Committee, to the Chairman of the Board of Statutory Auditors, to the Chairman of the Board of Directors and to the Director in charge of the Internal Control and Risk Management System;
- verified, based on the Audit Plan approved by the Board of Directors, the functioning and appropriateness of the Internal Control and Risk Management System, in addition to the reliability of the IT systems, including the accounting systems. The work plan is determined based on the information deriving from: group economic strategic objectives, compliance 262 and 231, information from management, Control Self-Assessment activity, evaluations from the Internal Audit department and previous audits, external auditors;
- continued the organisation and formal adjustment activity of the Financial Disclosure Control System;
- carried out Testing activities to establish the efficacy of design and effective operation of controls.

After the appointment of November 13, 2014, the consultancy company appointed to execute the Internal Audit function, also following the authorisations and having received the necessary means to properly carry out its business, executed an audit on the Internal Control and Risk Management System of a foreign subsidiary.

## 11.3 Organisational Model as per Legislative Decree 231/2001

The organisation, management and control Model as per Legislative Decree 231/01 of Elica S.p.A. was updated and approved by the Board of Directors on August 28, 2013, following legislative amendments and jurisprudence pronouncements in relation to responsibility of entities. In particular, among the new offenses introduced by Legislative Decree 231/01 are:

- offenses in relation to Manslaughter or serious injuries committed through violation of regulations on the protection of health and workplace security – Article 25-septies in addition to Article 9, Law



No. 123 of August 3, 2007 (in fact already included in the Model approved in 2008) and subsequently replaced by Article 300, Law No. 81 of Legislative Decree of April 9, 2008;

- information technology offenses – Article 24-*bis*, which updated existing legislation and introduced into the penal code new offenses in relation to information technology crimes (for example damage to information, data and IT programmes).
- organised crime offenses – Article 24-*ter* which introduced the offense of “organised crime”, in particular criminal enterprises both of a “transnational” nature or in the national territory.
- offenses in relation to falsifying money, credit cards, stamp duties and instruments or recognition signs (amendment of the article with the introduction of the falsification offense of instruments or recognition signs - Article 25-*bis*), which governs new offenses not within the previous legislation, such as counterfeiting and/or alternation to brands, patents and distinctive signs.
- offenses in relation to disturbed freedom within industry and commerce – Article 25-*bis* 1 concerning the utilisation of violence on property with utilisation of means to impede or disturb the exercise of an industry or of a commerce, fraud in the exercise of commerce, the sale of industrial products with false signs etc.
- crimes in relation to the violation of authors’ rights – obstruction to justice – Article 25-*novies* which provides for the abusive duplication or provision within the State of products without the prior authorisation by SIAE or “Inducement to not provide declarations or render false declarations to the legal authorities”;
- “environmental offenses” - Art. 25 *undecies*: Legislative Decree No. 121 of July 7, 2011, which implements EU Directive 2008/99 on the protection of the environment, as well as EU Directive 2009/123 which modifies EU Directive 2005/35, relating to pollution caused by ships and the introduction of sanctions for violations, introduced, within Legislative Decree 231/01, these offenses.
- offense of “Employment of citizens from other countries without proper residence” – Article 25-*duodecies*, introduced by Legislative Decree No. 109/2012, and enacted on August 9, 2012 and published in the Official Gazette No. 172 of July 25, 2012;
- New regulations introduced by Law 109/2012:
  - amendment to the Penal Code, for example amendment of Article 318 c.c.p. Corruption for offices held, Article 319-*quater* Induction to provide or promote use;
  - corruption between private parties as per paragraph 1 letter *s bis* of Article 25-*ter* of Legislative Decree 231/2001.

The organisation, management and control Model of Legislative Decree 231/01 of Elica S.p.A. is comprised of a general part which illustrates the functions, principles and constituting elements, identification of the activities at risk, definition of the protocols, information flows, training and information activities, characteristics and functioning of the Supervisory Board as well as the following attachments, which constitute an integral part of the model: List of the offenses, Mapping of activities at risk of offense, Protocol procedures against the activities at risk of offense, By-Laws of the Supervisory Board, Composition and Curriculum of the members of the Supervisory Board, Ethics Code and the Governance system. For further information, reference should be made to website <http://corporation.elica.com> , Corporate Governance section;

The Supervisory Board of Elica S.p.A. until March 21, 2014 was comprised of two external professionals: Bruno Assumma (Chairman) and Glauco Vico (member) and Cristiano Babbo (member and Head of Elica Internal Audit).

On March 21, 2014, the Board of Directors appointed the Supervisory Board, for three years, in the persons of Massinissa Magini Paolo (Chairman and external member) and Cruciani Marco (external member), in addition to confirming the position of Babbo Cristiano (internal member until November 2014 and subsequently an external member).

The Board of Directors also granted the Supervisory Board sufficient financial resources to carry out all required duties. This allocation however may be recalculated according to any necessary increases on the proposal of the Supervisory Board.

The Board of Directors, following an assessment, decided not to assign the duties of the Supervisory Board to the Board of Statutory Auditors, considering it appropriate to maintain two distinct bodies.

#### 11.4 Independent Audit Firm

The Shareholders' Meeting of April 12, 2006 appointed for the period 2006-2011, the audit company Deloitte & Touche SpA for the auditing of the financial statements of the company, the consolidated financial statements and the half-year report, as well as the control of the correct accounting of the company.

The shareholders' meeting of April 30, 2007 extended this appointment, in conformity with law, for the further period 2012-2014.

Simultaneous to the approval of the present report, the Board of Directors of Elica approved the Directors' Report to the Shareholders' Meeting concerning the proposal for the appointment of the independent audit firm for the nine-year period 2015-2023, on the basis of the Proposal of the Board of Statutory Auditors for the appointment of the Audit Firm for the 2015-2023 period, for the establishment of remuneration and adjustment criteria; This report is available on the Company website <http://corporation.elica.com> (Investor Relations section).

### 11.5 Executive responsible for the preparation of corporate accounting documents

In accordance with Article 154-*bis* of the CFA as amended by Law No. 262 of December 28, 2005 (so-called "Savings Law") and in accordance with Article 26 of the By-Laws, the Board of Directors, having consulted with the Board of Statutory Auditors, appointed as the Executive Officer Responsible for the preparation of the Corporate Accounting Documents Mr. Alberto Romagnoli, Chief Financial Officer, who will remain in office until the Shareholders' Meeting called for the approval of the 2014 Annual Accounts.

Article 26 of the By-Laws provides that the Executive Responsible for the preparation of the corporate accounting documents must have specific professional skills in administration, finance and control, as well as the requisite standing established for directors. The Board considered that the professional requirements with specific competence in the area of administration, finance and control have been fulfilled as well as the standing requirements required by the By-laws, and has proceeded to provide him with adequate resources and means necessary to carry out his duties.

In particular, in order to fully carry out his duties, the Executive Responsible, among others, may avail of the powers and resources established in the Guidelines drawn up by Confindustria in relation to the role (edition of December 13, 2007).

The Executive Responsible, in the exercise of his institutional role, in application of the above-stated Article 154-*bis* of the CFA:

- has specific duties of control in relation to the legal notices and communications of the Company established by law or announced to the market, containing information and data on the income statement, balance sheet and financial situation of the Company, accompanied by a written declaration of the Chief Executive Officer and the Executive Responsible for the preparation of the Corporate Accounting Documents, who attest to their truthfulness;
- prepare administrative and accounting procedures for the completion of the parent company and consolidated financial statements, as well as for every other communication of a financial nature;
- declares, together with the executive boards, through a report, attached to the parent company and consolidated financial statements, the adequacy and the effective application of the administrative and accounting procedures adopted in the year on which the accounts are based, as well as the correspondence of the financial statements with the underlying accounting documents and records.

### 11.6 Coordination of the parties involved in the internal control and risk management system

The periodic verification of the adequacy and effective functioning, and any review, form an essential part of the Internal Control and Risk Management Structure, in order to ensure its full and correct efficacy.

For these purposes the Internal Audit function, in the meetings of the Internal Control and Risks Management System at which the Board of Statutory Auditors and on invitation the Executive Responsible for the Preparation of Corporate Accounting Documents attend, reports on the activities

carried out and therefore on the management of risks, on the compliance of the content of the plans, and on the evaluation of the appropriateness of the Internal Control system itself.

The Board of Directors receives and examines on a half-yearly basis the reports prepared by the Internal Control and Risk Management Committee and examines the significant corporate risks submitted for the attention of the Director in charge of the Internal Control and Risk Management System.

## 12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

The “Procedure for Transactions with Related Parties” (“TRP Procedure”), adopted by the Board of Directors in the meeting of November 11, 2010 and updated on August 28, 2012, is available on the website of the Company <http://corporation.elica.com> in the Corporate Governance section, to which reference should be made.

On November 13, 2014, the Board assessed the necessity to modify the TLP Procedure, taking into account the shareholder structure and the effectiveness demonstrated by the Procedure within the applicative practices. Following this assessment, the Board did not consider it necessary to apply amendments to the OPC Procedure previously approved, noting that the non-application of the OPC Procedure was not due to deficiencies within the regulation itself, but an effective absence of significant operations concluded with counterparties considered related.

In the TRP Procedure, the Board established the criteria to identify transactions for which application is required, in order to ensure the transparency and correctness, both materially and procedurally, of transactions with related parties.

In 2014 no significant transactions with related parties were undertaken; all transactions were in fact conducted on an arm’s length basis in the ordinary course of business.

\*\*\*

In relation to transactions in which a director has, on his own behalf or on behalf of third parties, an interest, the interested director is called, except for specific circumstances, to abstain from the vote or to leave the meeting at the moment of discussion and resolution. When the transaction is not subject to the prior approval of the Board of Directors but within the powers delegated to the interested director, also through the exercise of a specific proxy, this latter abstains from the carrying out of the transaction and provides in a timely and exhaustive manner information in relation to such to the Board.

In order to identify transactions in which a director may have an interest, also on behalf of third parties, the Company utilises, among others, an electronic database containing information on related parties of directors of the Company.

## 13. APPOINTMENT OF STATUTORY AUDITORS

In relation to the appointment of statutory auditors, reference is made to the subsequent section “Appointment of the Corporate Boards”.

## 14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) CFA)

The Company’s By-laws provide that the Board of Statutory Auditors consist of three standing auditors and two alternate auditors.

The Board of Statutory Auditors currently in office was appointed, in accordance with the requisites of autonomy and independence of article 8.C.1 of the Self-Governance Code, by the Shareholders’ Meeting of April 27, 2012, as per the By-Laws at the date of the appointment, which provides for the “voting of slates” and remains in office until the approval of the financial statements at December 31, 2014. In particular, two slates were presented, which were unconnected:

- SLATE 1: presented by the majority shareholder FAN S.r.l., which proposed the following slate of candidates (“Majority Slate”):

- Standing Auditors: Casali Gilberto; Marasca Stefano and Giuliani Marco;
- Alternate Auditors: Borioni Franco and Luzi Giancarla.

- SLATE 2: presented by shareholders: FIRST CAPITAL S.p.A., IMMI INVEST S.r.l., who proposed the following slate of candidates ("Minority Slate"):

- Standing Auditors: Mariotti Corrado;
- Alternate Auditors: Capecci Daniele.

For further details on the slates, reference is made to the documentation relating to the above stated Shareholders' Meeting available on the internet site of the Company.

The result of the voting of Shareholders present at the Shareholders' Meeting was as follows:

- votes in favour of Slate 1 – 33,442,445, equal to 89.7201% of the voting share capital;
- votes in favour of Slate 2 – 3,340,858, equal to 8.9629% of the voting share capital; and
- not voting 490,897, equal to 1.3170% of voting share capital.

At TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS attached to the present report, the composition is shown of the Board of Statutory Auditors at December 31, 2014, which has not changed at the preparation date of the present Report.

Reported below is a brief *curricula vitae* of the members of the Board of Statutory Auditors:

**Corrado Mariotti:** born in Numana (AN) on 29/2/1944, Chairman of the Board of Statutory Auditors of Elica S.p.A.. Member of the Accountants' Association of Ancona from 14/09/1970. Member of the Official Auditors Roll with Ministerial Decree 5.5.1977 (Official Gazette No.130 of 14.5.1977). Member of the Auditors Register with Ministerial Decree 12.4.1995 (Official Gazette 4th series special No.31 bis of 21.4.1995) at No. 35727. Has carried out many appointments from the Court (particularly in Ancona) such as Receiver and supervisor of a controlled administrative procedure, inspector and legal administrator, technical consultant of the Court of P.M and G.I.P. Has acted continuously since 1970 as an accountant in Ancona, exclusively within the field of corporate consultancy: corporate, tax, financial, auditing, examination and administrative. He is Chairman of the Board of Directors of Banca Popolare di Ancona S.p.A.; Director of ISTAO; Chairman of the Board of Statutory Auditors of SO.GE.S.I Soc. Gestione Servizi Industriali S.r.l. Unipersonale, of Somacis S.p.A. and of Somipress S.r.l. and Società Regionale di Garanzia Marche S.C.p.A. and Statutory Auditor of Nazareno Gabrielli Diaries S.p.A. and of CARNJ Società Cooperativa Agricola, in addition to a member of the Board of Auditors of the Polytechnic University of Le Marche; he was Chairman of the Accountants' Association of Ancona from 1991 to 1997 and from 2010 to 2012.

**Stefano Marasca:** born in Osimo (AN), 9/8/1960; Statutory Auditor of Elica S.p.A.. Professor of "Business Studies" at the Polytechnic University of Le Marche. Director of the Management Department at the University. Author of numerous publications and coordinator of research locally and inter university on the themes of accounting, of financial statements and international accounting principles, of strategic control and management control, of the measurement and valuation of intangible assets for internal reporting and communication to stakeholders. Ordinary member of the A.I.D.E.A. (Italian Academy of Business Studies). Member of the Scientific Committee for articles and scientific journals relating to business studies and the financial-economic communication of companies. Member of the Accountants' Association of Ancona from 1986. Member of the Auditors' Association since its constitution (membership No.34987). Registered in the general list of the Ancona Court since 1994. Director of Cabo S.p.A.; Chairman of the Board of Statutory Auditors of Sisme S.p.A. and Fiorini Packaging S.p.A.; Statutory Auditor of Ottaviani S.p.A. and Wikiware S.p.A..

**Gilberto Casali:** born in Jesi (AN), 14/01/1954; Statutory Auditor of Elica S.p.A.. Enrolled at the Accountants' Association of Ancona from 23/03/1978 at No. 69/A, enrolled as an Official auditor of accounts with Min. Decree 9/07/1993 published in the Official Gazette No. 58 of 23/07/1993. He is a member of the Auditors' Register at No. 11716 with Ministerial Decree 12/04/1995 published in the official gazette No.31 bis of 21/04/1995 – IV Special Series.

He is Chairman of the Board of Directors of Cavallottiundici S.r.l., of Fincrea S.r.l., of L'Olivio S.r.l., of Sanmarcodue S.r.l. and is Sole Director of Imak S.r.l..

He is Chairman of the Board of Statutory Auditors of Ermanno S.r.l., of Kalida S.p.A., of Garofoli Strutture S.p.A., of Gielle Real Estate S.r.l., of Nuna S.r.l. and of Mark Leasing S.p.A. and is a Statutory Auditor of Adriafin S.p.A., of Cav. Del Lav. Iginio Pieralisi S.a.p.A., of Egesto Peralisi S.A.P.A. di Gennaro Peralisi, of Engifin S.p.A., of Golden Lady Company S.p.A., of La Castellina S.p.A., of Nini Peralisi S.A.P.A. di Luigi Peralisi, of Safe S.a.p.A. del Cav. Del Lav. Iginio Peralisi, of 2 M S.p.A. and of the Ermanno Casoli Foundation.

**Franco Borioni:** born in Jesi (AN), 23/06/1945; Alternate Auditor of Elica S.p.A.. He has been a member of the Accountants Association of Ancona since April 11, 1979 at No. 73/A as well as being on the Technical Consultants of the Civil and Criminal Court of Ancona roll. Official auditor of accounts with Min. Decree 24/02/1988 published in the Official Gazette No. 53 of 04/03/1988. He is a member of the Auditors' Register at No. 7353 with Ministerial Decree 12/04/1995 published in the official gazette No.31 bis of 21/04/1995 – IV Special Series.

He is Sole Director of Gielle Real Estate S.p.A., of Belgravia S.r.l., of Casper S.r.l., of Led S.r.l., of Sedepi S.r.l. and Chairman of the Board of Directors of Devina S.r.l. and a Director of Marmo Meccanica S.p.A. and of Cavallottiundici S.r.l.. He is the Chairman of the Board of Statutory Auditors of Simonetta S.p.A., of 2M S.p.A., of Air Force S.p.A.

(subsidiary of the Company), of Cav. del Lavoro Igino Pieralisi S.p.A., of Confidi Ancona Soc. Coop. p.a., of FAN S.r.l., of Fintrack S.p.A., of the Ermanno Casoli Foundation, of Gilfin S.p.A., of Imesa S.p.A., of Levitas S.p.A., of Safe S.p.A. and a Statutory Auditor of Ausiliare S.p.A., of Golden Lady Company S.p.A., of SOGESI S.r.l., of Torelli Dottori S.p.A. and of TV Centromarche S.p.A..

**Daniele Capecci:** born in Jesi (AN) on 03/04/1972. Alternate Auditor of Elica SpA. Member of the Accountants' Association of Ancona from 05/03/2004 at No.589/A. He is a member of the Auditors' Register at No. 139798 with Ministerial Decree 21/04/2006 published in the official gazette No.34 of 05/05/2006 – IV Special Series.

He is the Sole Director of Ellegi S.r.l.; Director of Tecnica HZ S.r.l., of Debson S.r.l. and of TICAS S.r.l.; Chairman of the Board of Statutory Auditors of GIMA S.p.A., Meccano S.cons.le.p.A., Smorlesi Gaetana Cecilia & C. S.p.A.; Statutory Auditor of Caimi Export S.p.A., of Eida S.p.A., of Equipe S.p.A., of Ermanno S.r.l., of the Ermanno Casoli Foundation, of Federico II Stupor Mundi Foundation, of Nuna S.r.l., of ISTAO – Istituto Adriano Olivetti, of Renco S.p.A., of YCami S.p.A., of Santoni S.p.A., of Pennacchioni S.p.A., of TEUCO Guzzini S.p.A., of UCW Unique Children Wear Srl, of Egisto Pieralisi S.A.p.A. di Gennaro Pieralisi and of Ninì Pieralisi S.A.p.A. di Luigi Pieralisi.

## **Board of Statutory Auditors activities in 2014 and in 2015 until the date of the present Report**

In relation to the activities carried out, the Board of Statutory Auditors in 2014 met 8 times, respectively on February 14, March 18, March 21, March 27, March 31, May 14, July 31 and October 30.

In 2015, the Board of Statutory Auditors met on two occasions, on January 29 and March 19 2015.

The activities of the Board of Statutory Auditors concerns, among others, in accordance with point 3.C.5 of the Self-Governance Code, the verification of the criteria and procedures adopted by the Board to evaluate the independence of its members. The Board of Statutory Auditors in the course of the above-stated verifications did not record anomalies, as per the minutes drawn up of March 21, 2014.

The Board of Statutory Auditors established the independence of its members in conformity with Article 8.C.1 of the Self-Governance Code in the meeting of March 21, 2014.

The Board has constantly monitored the independence of the Independent Audit Firm in carrying out its duties, verifying compliance with law and monitoring the other activities carried out apart from accounting control.

The Board of Statutory Auditors, in carrying out its duties, coordinated its activities with the Internal Audit manager and the Internal Control and Risk Management Committee through the exchange of information relating to their respective activities and the participation of the Board of Statutory Auditors at the Internal Control and Risk Management Committee meetings during the year.

The Board of Statutory Auditors notes that the company, having complied with the Self-Governance Code of Borsa Italiana S.p.A., provides that where a statutory auditor, on his/her own behalf or that of third parties, has an interest in a determined transaction of the Company, he/she must inform the other statutory auditors and the chairman of the Board, in a timely and comprehensive manner, regarding the nature, terms, origin and extent of his/her interest. In accordance with the Consob Regulation concerning transactions with "related parties" the members of the Board of Statutory Auditors drew up a document for the identification of related parties in accordance with Article 4, paragraph 4 of Consob Regulation, adopted with resolution No. 17221 of March 12, 2010 and No. 17389 of June 23, 2010.

The members of the Board of Statutory Auditors have adequate experience and knowledge of the sector in which the Company operates; however, in order to improve such knowledge, and of the corporate activities and performance, in addition to the regulatory framework, the Board of Statutory Auditors attends the meetings of the Board and of the Committees, in addition to the ad hoc meetings organised by the Chairman of the Board of Directors.<sup>20</sup>

## **15. RELATIONS WITH SHAREHOLDERS, WITH BORSA ITALIANA AND WITH THE COMPETENT AUTHORITY**

In conformity with article 9.C.1 of the Self-Governance Code, the Board of Directors, in the meeting of September 27, 2007 appointed Laura Giovanetti as the Investor Relations manager in replacement of Vincenzo Maragliano, previously appointed at the meeting of April 12, 2006. The Investor Relations Manager is assigned the duties of (i) fostering the Company relationships with the financial community;

<sup>20</sup>See in this regard also the Induction Programme.



(ii) enabling continuous dialogue between the company and the stakeholders and in particular the investors and shareholders; (iii) communicating to investors and the market the performance of the business and (iv) carrying out the operations and the duties relating to the Insider Register of the Company, in conformity with the "Regulation for the treatment of corporate information and the constitution of the Insider Register".

In addition, in order to guarantee a more efficient flow of information with the relevant authorities and the market, the Board of Directors of the Company considered it proper that the Information Officer coincides with the role of the Investor Relations Manager and at the same meeting of September 27, 2007 conferred Laura Giovanetti the appointment of Information Officer responsible for the relations with Borsa Italiana and Consob, in replacement of Vincenzo Maragliano.

Therefore on November 11, 2010, following the conferment of other duties to Mr. Giampaolo Caselli, the Company replaced him with Ms. Francesca Pisani, Legal & Corporate Affairs Supervisor of the Company, in the role of Information Officer.

All of the documents relating to the Corporate Governance and the other information relating to the Company, which have significance for shareholders, may be consulted on the website <http://corporation.elica.com>.

### Internal Dealing regulations

The Company, with Board resolution of April 12, 2006, adopted a procedure concerning the information obligations relating to financial instruments issued by the Company, related to so-called "significant" persons and persons associated with them, in relation to Internal Dealing (the so-called "Internal Dealing Code"). This procedure was amended on April 27, 2012 for the purposes of, among others, the adjustment in line with the regulatory amendment to Article 152 *septies*, paragraph 3 of the Issuers' Regulation, introduced with Consob Resolution No. 18079 of January 20, 2012.

The regulation is published on the Company website <http://corporation.elica.com>, in the Corporate Governance section.

## 16. SHAREHOLDERS' MEETINGS

The By-Laws of the Company do not provide for a method of functioning other than those as prescribed by law and regulations.<sup>21</sup>

Normally, all of the directors attend the Shareholders' Meetings. All seven Directors attended the Shareholders' Meeting of April 29, 2014, including the Chairman and the members of the Appointments and Remuneration Committee.<sup>22</sup>

All of the matters on the Agenda of the Shareholders' Meeting were reported upon in the Directors' Report to the Shareholders' Meeting or in the documents filed, available to the Shareholders and published on the company website.

All those who have sent the company the communication provided by the intermediary appointed by the end of the third market day preceding the date fixed for the Shareholders' Meeting in first call or in single call, have the right to attend the shareholders' meeting, or within a different time period established by existing regulations, as long as the communications are sent to the Company within the above-stated time periods, provided by the beginning of the business of the shareholders' meeting.

Every shareholder may be represented by a third party conferring upon him proxy in accordance with law, the By-Laws and the Shareholders' Meeting regulation.

The notification through electronic means of proxy to the Company by those with the right to vote may take place through sending an e-mail to the address indicated in the call notice.

<sup>21</sup>The Shareholders' Meeting assigned the Board the duties as per Article 19.2 of the By-laws, in accordance with the Article 2365 of the Civil Code.

<sup>22</sup>They attended also to provide any clarifications on the content of Sections 8 and 9 of the present Report, in addition to the content of the Remuneration Report, including, among other issues, the description of the manner of exercise of the duties of the stated Committee.

The Shareholders' Meeting of the Company on April 12, 2006 approved the Shareholders' Meeting Regulation, proposed by the Board of Directors in accordance with article 9.C.3 of the Self-Governance Code, subsequently amended by the Shareholders' Meeting of April 28, 2011 in order to guarantee the proper carrying out of the shareholders' meetings as well as the rights of each shareholder to contribute to discussions on the matters on the agenda. The regulation is published on the Company website <http://corporation.elica.com>, in the Corporate Governance section.

With particular regard to the means by which each shareholder may take the floor on the matters under discussion, the stated Shareholders' Meeting regulation provides that the Chairman, taking account of the subject and the importance of the individual matters on the Agenda, in addition to the number of requests for interventions, pre-establishes the duration of such interventions, usually as not less than 3 (three) minutes and not greater than 5 (five) minutes for each contribution. Those with the right to intervene, may do so upon each matter on the Agenda only once, except, at the discretion of the Chairman, in the case of a reply or a voting declaration.

The Board reported on the activities carried out and programmed in the Shareholders' Meetings and endeavoured to ensure shareholders have adequate information regarding the necessary elements so that they could take, in a knowledgeable manner, the decisions within the authority of a Shareholders' Meeting.

\*\*\*

In relation to the market capitalisation, the share price at January 2, 2014 was Euro 1.6825 and at December 30, 2014 was Euro 1.6731; the minimum price in 2014 was Euro 1.4204, the maximum price in 2014 was Euro 2.033 and the average price was Euro 1.738155.

No significant changes took place to the ownership structure. The Board of Directors, in the meetings of February 14, 2014 and February 12, 2015, noting the share price in the periods preceding the respective meetings, decided not to propose to the Shareholders' Meeting changes to the By-laws in relation to the percentages established for the exercise of the shares and of the protection of minority shareholders.

### **Appointment of the Corporate Boards**

According to the provisions of the current By-Laws, the appointment of the Board of Directors and the Board of Statutory Auditors is carried out through the voting of slates, in accordance respectively with articles 16 and 24 of the by-law. These articles were amended in the Shareholders' AGM of April 24, 2013 in order to provide for a mechanism which ensures gender equilibrium in accordance with current legislation.<sup>23</sup>

Only shareholders who individually or collectively hold at least 2.5%<sup>24</sup> of the share capital have the right to present slates or a differing minimum percentage provided for or allowed by regulations.

For the inclusion of the Directors to be elected, consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of the slates. All those entitled to vote shall vote for only one slate.

Directors must have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives.

Statutory Auditors must also have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives. In particular, in relation to the professionalism requirement covered by article 1 of Justice Ministerial Decree of March 30, 2000, No. 162, the following fields are deemed to be closely related to the company's activities: that relating to commercial or tax law, the economy and corporate finance, the manufacturing and design sector, as well as the activities listed in Article 2 of the By-laws, to which reference should be made.

<sup>23</sup>For further information on the amendments to the By-laws, reference should be to the Directors' Report to the Shareholders' AGM called for April 24, 2013, in relation to the By-law amendments, available on the Company website.

<sup>24</sup>The percentage indicated coincides with the percentage holding established by Consob in accordance with Article 144-*quater* of the Issuers' Regulation.



Except in the situation of ineligibility established by law, no person who covers offices of statutory auditor in five or more other companies listed on regulated markets may fulfil the role of statutory auditor and if nominated must vacate the office, with exclusion of the subsidiary companies as well as the parent companies and the companies controlled by such, or anyone who covers offices of direction and control in a number higher than that provided by law and the regulations in force.

The presentation of slates for the appointment of the Board of Directors will occur in the manner established by, and in compliance with, Article 16 of the By-laws, to which reference should be made.

The presentation of slates for the appointment of the Board of Statutory Auditors will occur in the manner established by, and in compliance with, Article 24 of the By-laws, to which reference should be made.

In relation to the appointment of the Board of Statutory Auditors, in the case in which twenty-five days prior to the Shareholders' Meeting only one slate is presented, or only slates related to it are presented, in accordance with Article 144 *sexies*, paragraph five of the Issuers' Regulations, slates may be presented up until the third subsequent day to this date or any other date stipulated by the applicable regulation. In this case, the percentage threshold established for the presentation of the slate is reduced by half (1.25% of the share capital).

The slates presented that do not comply in full with the By-laws shall be considered as not presented.

The Company assures that the shareholders are provided adequate information on the profile of the candidates for the offices of director and statutory auditor in the manner set out in the above stated articles to which reference is made.

With reference to the method of election of the Board of Directors through the "voting of slates", the By-Laws provide that:

a) from the slate which obtained the highest number of votes (hereafter the "Majority Slate") all of the members of the Board of Directors are elected except one, as established by the Shareholders' Meeting, according to the progressive order of the slate;

b) from the slate which obtained the second highest number of votes (hereafter the "Minority Slate"), which is not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, the first candidate listed is elected to the Board of Directors.

If, with the candidates elected through the manners stated above, an adequate number of independent directors is not elected, however not lower than the amount provided by law, or if the gender balance provisions have not been complied with (including the rounding upwards of the number of members of the Board of Directors in the case of the application of the gender balance quotas not resulting in a full number), the non-independent candidate of the most represented gender elected last on the progressive numbering of the Majority Slate will be replaced by the first independent candidate of the other gender, according to the respective progressive numbering, not elected on the same Majority Slate.

In the case in which the Majority Slate no longer presents non-elected candidates with the necessary requirements or in the case in which the Majority Slate does not contain a sufficient number of candidates to form the Board in accordance with that established by the Shareholders' Meeting, the meeting proceeds with their replacement/supplementation by statutory majority.

The candidate listed in first position on the Majority Slate is elected as Chairman of Board of Directors.

Should two or more slates receive the same number of votes, a second vote of the Shareholders' Meeting is taken, with only those tied taking part.

In the case in which only one slate is presented or voted upon, or where only one slate has received at least half of the required votes for presentation, all Directors will be elected from the slate, in compliance with the provisions concerning the composition of the Board of Directors.

Where no slate is presented, the Shareholders' Meeting votes by statutory majority, without following with the above stated procedure, however in such a manner that the applicable regulations concerning the composition of the Board of Directors are complied with.

In relation to the appointment of the Board of Statutory Auditors, considering also compliance with the applicable regulations concerning gender equality (including rounding up where necessary in relation to the underrepresented gender), the following is applied:

1) from the slate which obtained the highest number of votes in the shareholders' meeting (hereafter the "Majority Slate"), based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;

2) from the slate which obtained the second highest number of votes (hereafter the “Minority Slate”) and which, in accordance with current regulations, was presented and voted upon by shareholders who are not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, based on the progressive order listed on the slate, one statutory auditor and one alternate auditor is elected.

The Chairman of the Board of Statutory Auditors shall be the first candidate on the Minority Slate.

In the case of a tie in the number of votes between two or more slates, the eldest candidates shall be deemed elected.

If voting does not result in compliance with the applicable legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the underrepresented gender), the elected Statutory Auditor candidate appearing last on the Majority Slate of the overrepresented gender is excluded and will be replaced by the next candidate from the same slate belonging to the other gender.

In the case in which the Majority Slate no longer presents non-elected candidates with the necessary requirements, or in the case in which the Majority Slate does not contain a sufficient number of candidates to form the Board of Statutory Auditors, the Shareholders’ Meeting proceeds with their replacement/supplementation by statutory majority.

In the case of the replacement of a Statutory Auditor, the alternate auditor from the same slate joins the Board, on condition that the applicable legal and regulatory provisions are complied with.

The previous provisions in relation to the election of statutory auditors are not applied to Shareholders’ Meeting for which only one slate is presented or voted upon or in the shareholders’ meetings which provides in accordance with law for the appointment of statutory auditors and/or alternate auditors necessary to complete the Board of Statutory Auditors following replacement or resignation. In this case, the Shareholders’ Meeting votes by majority.

The Board of Directors and the Board of Statutory Auditors were appointed before the entry into force of Law 120/2011 concerning gender equality and this regulation will therefore be applied for the first time on the next renewal on the Corporate Boards, scheduled for the Shareholders’ Meeting for the approval of 2014 Annual Accounts.

The By-laws are available on the website <http://corporation.elica.com>, Corporate Governance section, that of Borsa Italiana S.p.A. and at the registered office.

### Changes since year-end

The text of the present report was supplemented, in the individual paragraphs, with the information concerning the changes between December 31, 2014 and March 19, 2015, date of its approval.

Elica S.p.A.

The Chairman of the Board of Directors

**TABLE 1 – INFORMATION ON THE SHARE CAPITAL**  
**Share Capital structure**

	NO. OF SHARES	% SHARE CAPITAL	LISTED/NON- LISTED	RIGHTS & OBLIGATIONS
Ordinary shares	63,322,800	100%	Listed on the MTA Star	Voting rights at the Ordinary and Extraordinary Shareholders' Meeting, right to a dividend and repayment of capital in the case of liquidation
Shares with limited voting rights				
Of which treasury shares with no voting rights	1,275,498	2,014%		treasury shares

**Significant Shareholdings\***

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
<b>PIERALISI GIANNA</b>	FAN S.r.l.	52.809%	52.809%
<b>PIERALISI GIANNA</b>	S.A.F.E. S.A.P.A. DEL CAV. IGINO	0.184%	0.184%
<b>PIERALISI GIANNA</b>	PIERALISI		
<b>ELICA SPA</b>	PIERALISI GIANNA	0.082%	0.082%
	ELICA SPA	2.014%	
<b>FIRST CAPITAL SPA</b>	FIRST CAPITAL SPA	2.116%	2.116%
<b>WHIRLPOOL</b>	WHIRLPOOL EUROPE Srl	12.568%	12.568%
<b>CORPORATION</b>			
<b>INVESCO LTD</b>	INVESCO ASSET MANAGEMENT DUBLIN	1.231%	1.231%
<b>INVESCO LTD</b>	INVESCO CANADA LTD	0.091%	0.091%
<b>INVESCO LTD</b>	INVESCO FUND MANAGERS LIMITED	0.957%	0.957%
<b>INVESCO LTD</b>	INVESCO ASSET MANAGEMENT LIMITED	0.456%	0.456%

\*Updated figures to 19/03/2015 based on the shareholders' register, except for Gianna Peralisi: declaration dated 19/03/2015 and Invesco: communication as per model 120, Legislative Decree No. 58/98 dated 17/07/2013.

**TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES**

**Board of Directors**

Name	Place and date of birth	Office	In office from <sup>25</sup>	No. Of other offices*	Exec.	Ind. Cod. / Ind. CFA
Francesco Casoli	Senigallia (AN) 05/06/1961	Chairman of the Board of Directors	April 27, 2012	3/1	yes	no
Giuseppe Perucchetti	Varese 30/10/1958	Chief Executive Officer	April 27, 2012 Director; September 13, 2012, CEO	-	yes	no
Gianna Pieralisi	Monsano (AN) 12/12/1934	Executive Director	April 27, 2012	3/-	yes	no
Gennaro Pieralisi	Monsano (AN) 14/02/1938	Director	April 27, 2012	13/8	no	no
Andrea Sasso	Rome, 24/08/1965	Director	April 27, 2012	3/2	no	no
Stefano Romiti (**)	Rome, 17/11/1957	Director	April 27, 2012	2/1	no	yes/yes
Elena Magri	Brescia 19/07/1946	Director	April 27, 2012	1/1	no	yes/yes
Evasio Novarese	Omegna (VB) 25/08/1947	Director	April 24, 2013	-	no	yes/yes

(\*) includes the other positions held in finance companies not registered as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act/ No. offices held in these companies excluded. For further information, reference should be made to the list at the section “Maximum number of offices held in other companies”.

(\*\*) Lead Independent Director.

<sup>25</sup>The figures refer to the most recent appointment. For years of service reference should be made to the Directors CV's.

**Attendance of the Directors at Board meetings and on the Committees**

Office	Name	B.o.D.	I.C.C.		R.C.	
		%	member	%	member	%
Chairman	Francesco Casoli	100				
Chief Executive Officer	Giuseppe Perucchetti	100				
Executive Director	Gianna Pieralisi	40				
Director	Gennaro Pieralisi	100	X	100	X	100
Director	Andrea Sasso	80				
Director	Elena Magri	60	X	100	X	50
Director	Stefano Romiti	100	X	100	X	100
Director	Evasio Novarese	100				
<b>Number of meetings</b>		<b>5</b>		<b>3</b>		<b>2</b>

**TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

**Board of Statutory Auditors**

Office	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Ind. Code	Attendance at Board meetings ***	No. of other offices ****
Chairman	MARIOTTI CORRADO	1944	12/04/2006	27/04/2012	Approval Accounts 2014	m	YES	8/8	5
Standing Auditor	MARASCA STEFANO	1960	12/04/2006	27/04/2012	Approval Accounts 2014	M	YES	7/8	0
Standing Auditor	CASALI GILBERTO	1954	28/08/2008	27/04/2012	Approval Accounts 2014	M	YES	8/8	1
Alternate Auditor	BORIONI FRANCO	1945	27/04/2009	27/04/2012	Approval Accounts 2014	M	YES	0/8	4
Alternate Auditor	CAPECCI DANIELE	1972	27/04/2009	27/04/2012	Approval Accounts 2014	m	YES	0/8	3

----- NO STATUTORY AUDITORS RESIGNED DURING THE YEAR 2014-----

**Number of meetings held in the year:8**

**Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per Art. 148 CFA): 2.5% of the share capital**

**NOTE**

\* The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

\*\* This column indicates the slate from which each Statutory Auditor originated ("M": majority slate; "m": minority slate).

\*\*\* This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

\*\*\* This column indicates the number of offices of director or statutory auditor in accordance with Article 148 *bis* of the CFA and the relative enacting provisions in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144- *quinquiesdecies* of the Consob Issuers' Regulations.

## ATTACHMENT 1

**Extract from the shareholder agreements communicated to Consob in accordance with Article 122 of legislative decree No. 58 of February 24, 1998**

### ELICA SPA

- **FAN S.r.l.**, the company incorporated under Italian Law, with registered office in Rome, Via Parigi 11, Italy, enrolled in the Rome Company Registration Office at No. 10379911000 ("**FAN**");

and

- **Whirlpool Europe S.r.l.**, an Italian incorporated company, registered office in Comerio (VA), Viale Guido Borghi No. 27, registered at the Company's Register Office of Varese, No. 01534610124 ("**Whirlpool**");

(FAN and Whirlpool, hereafter individually the "**Party**" and, collectively the "**Parties**").

### On the basis that

- on December 10, 2007, FAN and Whirlpool signed an investment contract and shareholder pact (the "**Shareholders' Agreement**" or "**Agreement**") concerning Elica S.p.A. (the "**Company**" or "**Elica**") which provides for, inter alia, a number of rules concerning the governance of the Company and the circulation of the Shares held by the Parties;
- on March 8, 2010, Whirlpool and FAN signed an agreement relating to some provisions of the Shareholder Agreement (the "**Supplementary Agreement**");
- on December 18, 2010, as neither Party had communicated to the other their opposition to the renewal of the Shareholder Agreement, in accordance with the renewal conditions of the Shareholder Agreement, such was renewed without any amendments;

### communicates that

on its conclusion on December 18, 2013 the Parties signed an agreement (the "**Agreement**") which renewed, for the duration specified at subsequent point 4, the Shareholder Pact concerning Elica, introducing a number of supplementations and amendments. The new provisions contained in the Agreement are summarised below.

#### 1. Company whose instruments are subject to the Agreement.

Elica S.p.A., registered office in Fabriano (AN), Via Dante Alighieri n. 288, Company's Register Office Ancona No. 00096570429, share capital Euro 12,664,560.

#### 2. Financial instruments subject to the Agreement and percentage compared to the share capital.

The agreement concerns the shareholdings in the Company as reported below, comprising the contained number of investments held from time to time by each of the Parties.

The Parties did not undertake an obligation to introduce further actions to be completed during the validity of the Agreement.

Shareholder	Number of shares conferred	% of shares compared to the total number of shares conferred	% of Shares conferred compared to the share capital
FAN	33,440,445	84.079%	52.809%



Whirlpool	6,332,280	15.921%	10.000%
<b>Total</b>	<b>39,772,725</b>	<b>100%</b>	<b>62.809%</b>

The Shareholder Agreement has no impact on the control of the Company which, pursuant to Article 93 of the Consolidated Finance Act, is indirectly held by Ms. Gianna Pieralisi.

### 3. Contents.

The Agreement provides for the following.

#### 3.1 Governance

The agreement provides for the following governance terms.

3.1.1 FAN will ensure that for the duration of the Agreement, one member of the Board of Directors of the Company is nominated on the recommendation of Whirlpool, subject to this latter being a holder of at least 5% of the share capital of the Company. Where the Agreement is terminated or Whirlpool has a holding lower than 5% of the share capital of the Company (except as a consequence of a Dilution or as a consequence of a breach of the Agreement by FAN, Whirlpool will request the designated Director to resign from office. Dilution is intended as the dilution of the investment by Whirlpool deriving from (i) any issue of Elica shares or financial instruments where Whirlpool does not have an option right or (ii) mergers or any other operations carried out by the Company after the renewal of the Agreement. In the case of the appointment of a new Board of Directors during the Shareholder Agreement, FAN will present a single slate of candidates, which will include the Director designated by Whirlpool.

3.1.2 Without the approval of FAN, the designated Director of Whirlpool may not be an employee, a director or an executive of Whirlpool or a “**Related Party**” (intended, with reference to each Party, as a party which directly or indirectly controls, is controlled by or is subject to common control with this Party).

3.1.3 Where and until such time that Whirlpool has a shareholding in Elica of at least 10%, the resolutions of the Shareholder Meetings or of the Board of Directors relating to:

(a) any issue of Shares or other financial instruments, in which Whirlpool does not have the rights option, will be adopted with the favourable vote respectively of Whirlpool or of the Director designated by Whirlpool; and

(b) distribution of reserves or other provisions or assets, spin-offs, reduction of share capital (except in the case of the obligatory reduction of the share capital pursuant to article 2446, second paragraph, and article 2447 of the Civil Code) or any other resolution of the Shareholders that results in a reduction in the shareholders’ equity of the Company under Euro 126,000,000 will be adopted with the favourable vote of Whirlpool or of the Director designated by Whirlpool, whose vote may not be unreasonably declined.

#### 3.2 Share transfer limits

The provisions of the Shareholder Agreement on the transfer of shares are outlined below.

##### 3.2.1 Non transfer obligations

For the entire duration of the Agreement FAN will not transfer any shares conferred to the Agreement to any third parties involved vertically or horizontally in the production, development, marketing or sales of products of water purification, white electrical goods, home appliances, air-conditioning systems and compressors for fridges and air conditioning systems (a “Competitor”) nor vote in favour of

the issue of Elica shares or financial instruments in favour of a Competitor. FAN will ensure that this clause is complied with also in relation to any share or financial instrument held by the Company or Related Parties to FAN.

### 3.2.2 Transfers permitted

as an exception to any other provisions of the Agreement, Whirlpool and FAN may freely transfer the Elica Shares or any other financial instrument in which, from time to time, they hold/acquire ownership in the following cases:

(a) transfer from FAN (or its successors if permitted by the Agreement) to Fintrack S.p.A. or Ms. Gianna Pieralisi, Mr. Francesco Casoli or Ms. Cristina Casoli, or their spouses or relatives (as defined by articles 74 and 76 of the Civil Code) or to a company wholly owned or controlled by one of these parties;

(b) transfer from Whirlpool to a Related Party of Whirlpool Corporation or by FAN to a Related Party of FAN, provided that such Related Party of FAN is not a Competitor of Whirlpool or has a holding in a Competitor of Whirlpool.

In each case the buyer must adhere to the Agreement and the seller will ensure that the buyer remains a Related Party and will remain fully committed to the seller.

The Parties agreed also that the above-stated provisions apply also to any share or financial instrument held by any related party of FAN, including Messrs. Gianna Pieralisi, Francesco Casoli and Cristina Casoli.

### 3.2.3 Pre-emptive Right

Where one of the Parties wishes to transfer, all or part, of the Elica shares or financial instruments it holds during the Agreement, in favour of any other person or entity, the following procedures are applied:

(a) where one of the Parties wishes to transfer shares or other Elica financial instruments, they will communicate their intention in writing (the **"Offer"**) to the other Party. During a period not beyond 30 days from the reception of the Offer (the **"Pre-exemption Period"**), the other Party will have the right to acquire all (and not just some) of the shares or Elica financial instruments described in the Offer at the same terms and conditions within 30 working days from the reception of the Offer;

(b) where the Offer does not contain a cash sum, the Parties may jointly nominate an investment bank of international standing within 10 days from the Pre-emption Period in order to determine the value of the Shares or the Elica financial instruments and the corresponding consideration in cash. The Parties agreed that the above-stated provisions apply also to:

the Elica shares and financial instruments held by Fintrack and the related parties of FAN and

to each transfer of the majority of the shares (or rights on these) issued by FAN or by a party directly or indirectly controlled by FAN; in the case in which the transfer of the majority of the shares issued by these parties is made through several transfers of minority holdings, FAN will transfer on the request of Whirlpool all the Elica shares held by FAN at that date at the price determined in accordance with the terms of paragraph 3.2.3(b).

### 3.3 Non Competition Clause

Except where otherwise stated in the supply agreement signed on December 18, 2013 between Whirlpool Corporation and Elica (**"OEM Supply Agreement"**) or in any other agreements between the Parties, FAN, also on behalf of its parent company Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, will ensure that, until any party among FAN, Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli (the **"Non-Competitive Party"**) holds directly or indirectly, individually or together with third parties, Elica shares or financial instruments or

rights from these or relating to these, up to the first date between (i) the expiry of the Agreement and (ii) 18 months after the date in which the Non-Competitive Party will cease to hold, directly or indirectly, Shares or such holdings or rights, this Non-Competitive Party may not:

(i) undertake or make, directly or indirectly, on its own behalf or on behalf of third parties, in any territory as further specified in the Agreement (the **"Territory"**), any commercial or entrepreneurial operation in the production, research and development, marketing, distribution and sale of kitchen hoods (the **"Competitive Activity"**);

(ii) hold, directly or indirectly, any interest, participation or affiliation, on its own behalf or of other parties or entities, in the Territory and in relation to the Competitive Activity, or be (A) a shareholder, lender or investor, which exercises the control or significant influence on the operations or (B) a shareholder or investor that holds (or has related voting rights or equity rights) more than 10% of any non-listed category of securities of, or more than 2% of the listed securities of, any party that undertakes or makes any commercial or entrepreneurial operations described in paragraph (i) above.

#### 4. Duration and renewal of the Agreement.

4.1 The agreement will remain in force until the first of (i) December 18, 2016 and (ii) the date in which Whirlpool holds less than 5% of the share capital of the Company (except in the case of a Dilution or as a consequence of the breach of the Agreement by FAN).

4.2 The Parties declare from the present moment, where on the expiry of the Agreement, the OEM Supplier Agreement is still effective and Whirlpool has acquired and still holds an investment of at least 10% in the share capital of Elica (calculated without considering any dilution or breach of the Agreement by FAN), they intend to renew the Agreement without any modifications for a further period of two years.

#### 5. Type of Agreement.

The Agreement is made in accordance with Article 122 of the Consolidated Finance Act and, specifically, first paragraph and fifth paragraph, letters a), b) and c) of this legislation.

#### 6. Filing of the Agreement.

The Agreement through which the Parties extended the validity and efficacy of the Shareholder Pact, amending and supplementing it, is subject to Consob communications and was filed at the Ancona Companies Registration Office on December 19, 2013.

#### 7. Resolution, withdrawal and penalty clauses.

##### 7.1 Right of resolution

(a) Where Whirlpool or FAN violates or does not comply with some essential clauses of the Agreement (each a **"Breach"**), the non-defaulting party will have the right to bring the Agreement to immediate fruition through communication to the defaulting party pursuant to article 1456 of the Civil Code.

(b) In the case of advanced dissolution of the OEM Supply Agreement for an alleged breach by Elica of the OEM Supply Agreement (each a **"Elica Dissolution Event"**), Whirlpool may withdraw from the Agreement with immediate effect through written communication to FAN.

(c) In the case of (i) advanced dissolution of the OEM Supply Agreement for a breach by Whirlpool or (ii) proof of serious breach of certain essential clauses of the OEM Supply Agreement (each a **"Dissolution Event"**), FAN may withdraw from the Agreement with immediate effect through written communication to Whirlpool.

##### 7.2 Exit procedure by Whirlpool

(a) In the case of the conclusion of the Agreement following non-fulfilment by FAN, ("**Whirlpool Exit Event**"), Whirlpool will have the unconditional right to sell on the market, in full or in part, the Elica shares held at that moment.

(b) Where there is a Whirlpool Exit Event, Whirlpool, within 30 working days, must provide written communication (the "**Exit Declaration**") to FAN specifying the Whirlpool Exit Event and indicating (i) the calculation of the weighted average price per share (the "**Average Purchase Price**") and (ii) the weighted average market price per share of the last 30 days preceding the Exit Declaration (the "**Elica Weighted Price**"). In this case FAN, with written communication to Whirlpool within 10 working days from the Exit Declaration, will have the right to buy from Whirlpool all the Shares held by Whirlpool at the Average Purchase Price within 10 working days of the above-mentioned communication. Where FAN decides not to buy these Shares at the Average Purchase Price, or subsequently does not make the payment within the agreed terms, Whirlpool will have the right to obtain from FAN within 20 working days of the Exit Declaration an amount equivalent to the difference between the Average Purchase Price (if higher than the Elica Weighted Price) and the Elica Weighted Price, multiplied by the number of shares held.

### 7.3 Exit procedure by FAN

(a) In the case of resolution of the Agreement following a Breach by Whirlpool ( "**FAN Exit Event**"), FAN will have the unconditional right to buy, all or part, of the shares held at that moment by Whirlpool (the "**FAN Exit Shares**").

(b) Where there is a FAN Exit Event, within 30 working days of being aware of the event, FAN may inform Whirlpool through written communication and Whirlpool will be obliged to sell to FAN the Exit Shares of FAN at the Average Purchase Price within 20 working days of the reception of the above-mentioned communication.

## **8. Other information.**

The Agreement does not provide for a committee to oversee its functioning.

The Agreement does not contain obligations to file the Shares pursuant to the Agreement.

December 21, 2013

## ATTACHMENT 2

### ***Description of the principal characteristics of the risk management and internal control system in place in relation to financial disclosure***

#### **Introduction**

The Internal Control and Risk Management System in relation to Financial Disclosure should not be considered separately. They are in fact constituent elements of the same Control System, described in the previous Chapter 11.

Employing a single and integrated approach the Company therefore considered it correct to base the guidelines for the design, implementation and maintenance of the Internal Control System on the best international practices, which currently stem from the study conducted by the Committee of Sponsoring Organizations of the Threadway Commission (CoSO Report), published for the first time in 1992 and indicated as best practice by the Sarbanes-Oxley Act of 2002. In addition to this, the development and implementation of the control procedures were conducted taking account of the Control Objectives for IT and related technology (COBIT Framework) and the Self-Governance Code of the Committee for Corporate Governance of Borsa Italiana SpA, of the Confindustria "Guidelines", of the "Ethics Code" and further regulations and rules in force, as well as national and international standards and guidelines concerning Internal Control Systems in general, and specifically concerning Financial Disclosure Control Systems.

With specific regard to the administrative-accounting processes, the Internal Control System, as described above, supports the basis of the declaration which the Executive Responsible for the Preparation of the Corporate Accounting Documents must release in accordance with Article 154-*bis* of Legislative Decree 58/98.

The structuring and organisation of administrative-accounting processes, in continuous development, is focused on achieving maximum synergy between achieving the compliance objectives and the optimisation objectives, through actions focused on formalising the processes and their efficiency, the identification and the evaluation of risks and the design of mitigating controls according to a structured methodology, with an overall view to achieving maturation of the entire System, extendable to the Group in the medium term.

#### **Phases of risk management and internal control in place in relation to Financial Disclosure**

The System of Financial Disclosure Control of Elica is based on the phases described below:

##### *i) Definition of scope of analysis*

The identification of the scope of the entity and of the significant processes in terms of potential impact on Financial Disclosure is conducted, within the Group, in order to guarantee the objectives of reliability, accuracy, trustworthiness and timeliness of the financial-administrative data and, more in general, to represent in a true and correct manner the financial situation of the Group.

For this purpose, utilising internal resources, the Company submits the business to a valuation process (scoping activity) through using the following methodology:

- **carrying out of a quantitative analysis whereby**, applying the legal limits in relation to the significance of the financial statements of the individual legal entities in relation to the overall consolidation, permits the isolation of Group entities and, therein, the individual financial statement items considered significant for the exceeding of economic values. In addition to this, thanks to the use of a specific reconciliation matrix between the accounts plan and the administrative-accounting processes mapped and the analysis and tests of the corresponding corporate processes.
- **carrying out of a qualitative analysis** which, taking account of the results from the previous quantitative analysis, allows an evaluation of the significance of the individual entities within the development of business processes and their level of complexity, determining the inclusion or

exclusion from the analysis also in regard to the level of specific risk connected to the individual legal entity and within this, to the specific processes.

*ii) Evaluation of the design of the Control System*

The administrative-accounting processes, identified as above, are documented through utilising structured instruments to improve operations, allowing analysis and maintenance and an exhaustive description of the risks and the controls in place (Risk and Control Matrix or RCM). These instruments allow the documentation, the evaluation of risks, the evaluation of the design of the Financial Disclosure Control System against the risks identified and allow periodic verifications focused on verifying the effective operation of the Control System. This mapping process is subject to ongoing analysis and evaluation to ensure the responsiveness to the reality and the strength of the design for risk coverage.

*iii) Evaluation of the operation of the Control System*

The controls, as identified by the joint development of the preceding phases, are submitted to operating verifications (testing), through activities focused on re-examination of their design and verification of their effective implementation in the time period taken into consideration, therefore carried out effectively in compliance with the design. This activity, scheduled throughout the year, consists of an initial walkthrough of the audit and a subsequent documented analysis concerning the items subject to operating process verification (e.g. purchases, sales, personnel and inventory). A further method of control, carried out in the year, concerns a check on the rectification of the critical issues emerging from the analysis conducted in previous years (follow up).

The results from the previous activities (testing and follow-up) is compiled into a managerial report which, in the case of deficiencies in the design and/or the identified controls, sets out a remediation plan, which is sent to the Executive responsible and based on which the reliability and trustworthiness of the parent company and consolidated financial statements is established.

### **Roles and Functions involved**

The Risk and Control Management System, in relation to the Financial Disclosure of Elica is overseen by the Executive Responsible who draws up adequate administrative and accounting procedures for the preparation of the parent company and consolidated financial statements, in addition to all communications of a financial nature.

The Executive Responsible declares upon the adequacy and the effective application of these procedures with regard to the half-year and annual financial statements, both for the parent company and for the group.

In carrying out the duties assigned by the Board of Directors, the Executive Responsible:

- avails of the contribution of the Internal Auditor function who provides support with regard to the mapping of processes activity and concerning controls, as described above;
- is supported by the corporate boards of the subsidiary legal entities which, on the occasion of the half-year and annual financial statements, declare the completeness and accuracy of the financial information provided by them;
- establishes a relationship of complete sharing and transparency with the Internal Control and Risk Management Committee and the Board of Statutory Auditors sharing, at least half-yearly, the evaluations on the activities carried out and the actions to be undertaken.