

MITTEL S.p.A.

Offices in Milan - Piazza A. Diaz 7

Share Capital EUR 87,907,017, fully paid-in

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Website: www.mittel.it

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

2012/2013

(pursuant to article 123-*bis* of the Consolidated Law on Finance (TUF))

Approved by the Board of Directors' Meeting of 13 January 2014

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria, available at www.borsaitaliana.it, in the section Borsa Italiana – Regulations – Corporate Governance.

Civ. code/Civil Code: the Italian Civil Code.

Board or Board of Directors: the Issuer's Board of Directors.

Mittel, Issuer or Company: the issuer of listed shares to which the Report refers.

Financial Year: the financial year the Report refers to (1 October 2012-30 September 2013).

Stock Market Regulations: the Regulations of the Markets organised and managed by Borsa Italiana S.p.A.

Issuers' Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 concerning issuers, as amended.

Consob Related Party Regulations: the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) concerning transactions with related parties.

Report: the corporate governance report which companies are required to draw up pursuant to article 123-*bis* of the Consolidated Law on Finance.

Report on Remuneration: the report on remuneration which companies are required to draw up pursuant to article 123-*ter* of the Consolidated Law on Finance and article 84-*quater* of the Issuers' Regulation, which will be available pursuant to law at the company's registered office and on the Issuer's website at www.mittel.it.

Consolidated Law on Finance (TUF): Italian Legislative Decree no. 58 of 24 February 1998, as amended.

1. ISSUER PROFILE

Mittel S.p.A. has accepted the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A., even in its original version in 1999, and currently accepts the Corporate Governance Code approved in December 2011. The corporate governance system that Mittel S.p.A. has set up over the years is based on the following fundamental documents:

- Articles of Association;
- Procedures concerning transactions concluded by relevant persons pursuant to article 114, subsection 7 of Legislative Decree no. 58/1998
- Procedures for the management and handling of inside information referred to in article 114, subsection 1 of Legislative Decree no. 58/1998;
- Procedures for keeping and updating the Register of persons with access to the inside information referred to in article 114, subsection 1 of Legislative Decree no. 58/1998;
- Procedures for transactions with related parties;
- Organisation, Management and Control Model pursuant to Legislative Decree 231/2001.

The text of the documents listed above is available on the Company's website, at www.mittel.it in the "Corporate Governance/Corporate Documents" section.

This Report has been drawn up based on Version IV of the specific format prepared by Borsa Italiana S.p.A.

2. INFORMATION ON OWNERSHIP STRUCTURES (article 123-bis of the Consolidated Law on Finance)

a) Share capital structure

At the end of the Financial Year (30 September 2013), share capital subscribed and paid in amounted to EUR 87,907,017.00, divided into 87,907,017 ordinary shares with a par value of EUR 1.00 (one) each. The shares, each of which grants the right to one vote, are indivisible and issued following centralised uncertificated procedures.

	no. of shares	% of share capital	Market of listing
ORDINARY SHARES	72,598,311	82.585%	MTA – Borsa Italiana
SHARES WITHOUT VOTING RIGHTS*	15,308,706	17.415%	MTA – Borsa Italiana

* treasury shares.

(Table 1: Information on ownership structures)

b) restrictions on the transfer of securities

There are no restrictions or prior approval clauses for the transfer of securities.

c) significant holdings, based on the notices issued pursuant to article 120 of the Consolidated Law on Finance

At the end of the Financial Year (30 September 2013), based on the notices received pursuant to article 120 of the Consolidated Law on Finance, the main shareholders are as follows:

DIRECT SHAREHOLDER	No. of Shares	% OF ORDINARY	% OF CAPITAL
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		CAPITAL	WITH VOTING RIGHTS
MITTEL S.p.A. – treasury shares	15,308,706	17.415%	0.000%
CARLO TASSARA S.p.A.	13,493,479	15.350%	18.586%
FONDAZIONE CASSA DI RISPARMIO DI TRENTO E ROVERETO	9,584,904	10.903%	13.203%
ISTITUTO ATESINO DI SVILUPPO S.p.A.	7,755,409	8.822%	10.683%
Opera Educazione Cristiana: Indirectly through LA SCUOLA S.p.A.	3,300,000	3.754%	4.546%
MANULI REALTOR S.r.l.	3,022,492	3.438%	4.163%
ARNALDO BORGHESI	2,608,760	2.968%	3.593%
GE CAPITAL S.p.A.	1,762,362	2.005%	2.428%
FERALPI HOLDING S.p.A.	1,678,816	1.910%	2.312%

(Table 1: Information on ownership structures)

d) securities with special control rights

No securities have been issued which provide special control rights.

e) employee shareholdings: mechanism for exercising voting rights

There are no employee shareholding schemes in place.

f) restrictions on voting rights

There are no restrictions on voting rights.

g) agreements between shareholders pursuant to article 122 of the Consolidated Law on Finance

At the date of this Report, as far as the Issuer is aware, there are no agreements between major shareholders pursuant to article 122 of the Consolidated Law on Finance.

h) change of control clauses and provisions of the articles of association concerning takeover bids

There are no significant agreements which the Company or its subsidiaries are party to that shall take effect, be amended or terminated as a result of a change of control of the Company.

Refer to the information in the Report on Remuneration pertaining to the contract entered into by and between the Company and the Chief Executive Officer.

Concerning takeover bids, the provisions of the Issuer's Articles of Association do not derogate from the passivity rule envisaged by article 104, subsections 1 and 2 of the Consolidated Law on Finance, nor do they envisage the application of neutralisation rules contemplated in article 104-*bis*, subsections 2 and 3, of the Consolidated Law on Finance.

i) delegated powers for share capital increases and authorisation to purchase treasury shares

The Ordinary Shareholders' Meeting of 15 March 2013 resolved:

1. to authorise the Board of Directors to purchase up to a maximum of 17,550,000.00 (seventeen million, five hundred fifty thousand) ordinary shares, in one or more steps, pursuant to articles 2357 and 2357-*ter* of the Italian Civil Code, without prejudice to the restriction that at any time the maximum number of treasury shares held may never exceed one-fifth of the share capital, also taking account of the shares held by subsidiaries. Such shares shall be purchased according to the procedures permitted by law, up to the date on which the Shareholder's Meeting to approve the financial statements for the financial year ended at 30 September 2013 is actually held, and, in any event, no later than eighteen months from the date of the Shareholders' Meeting resolution. The

shares shall be purchased at a price per share of no less than the par value of EUR 1.00 and no more than 30% higher than the arithmetical average of the reference prices recorded on the Italian Stock Exchange in the calendar quarter prior to each single purchase, and, in any event, at a price per share not exceeding EUR 3.50 (three/50) per share; thus, for a total maximum value of EUR 15,000,000.00 (fifteen million/00);

2. to order that the amounts needed for such purposes be withdrawn from the Extraordinary Reserve, while concurrently creating restricted reserves – in compliance with article 2357-*ter*, subsection three of the Italian Civil Code – equal to the amount of shares held in portfolio; such Extraordinary Reserve shall incorporate any amount fully paid-in each time said shares are sold; to establish that purchases shall be made pursuant to article 144-*bis*, point b) of the Consob Regulation 11971/1999;
3. to be able to dispose of all of the treasury shares held, pursuant to and in accordance with article 2357-*ter* of the Civil Code, even prior to completing the purchases. Disposals may be carried out in one or more steps. The shares may be disposed of through sale (also through public offering, to shareholders or to employees) at a price no lower than the average carrying amount, as well as through swaps for the purpose of acquiring equity investments, or for the purpose of convertible bonds and/or warrants. The authorisation pursuant to point 4. shall be granted without time limits;
4. to grant the Board of Directors and, on behalf of the Board, the Chairman and the pro-tempore Deputy Chairman, individually, all the necessary powers to implement the above resolutions, also through attorneys, fulfilling all obligations that may be required by the competent authorities.

During the Financial Year, the Company did not carry out any purchases of treasury shares based on the authorisation issued by the Ordinary Shareholders' Meeting of 15 March 2013.

The Ordinary Shareholders' Meeting of 29 April 2013 authorised (i) the purchase of treasury shares pursuant to article 2357 of the Italian Civil Code, article 132 of Legislative Decree 58/1998 and the related implementation provisions, through the procedures set out in article 144-*bis* subsection 1, point a) of Consob Regulation no. 11971/1999 and (ii) the use of ordinary treasury shares pursuant to article 2357-*ter* of the Italian Civil Code. This proposed authorisation was part of Mittel's overall promotion of a voluntary partial public exchange offer of own treasury shares, pursuant to article 102 *et. seq.* of the Consolidated Law on Finance, with consideration comprised of bonds issued by Mittel, excluding the 522,248 Mittel ordinary shares already held by the Company at that date. Therefore, the Shareholders' Meeting:

1. authorised, for a period of 18 months starting from the date of the Shareholders' Meeting resolution, the purchase of a maximum of 17,059,155 ordinary shares of Mittel S.p.A. with a par value of EUR 1.00 each, to be completed through a public exchange offer pursuant to article 144-*bis*, subsection 1, point a) of Consob Regulation 11971/1999;
2. established that the consideration for the treasury shares purchased is comprised of bonds with a par value of EUR 1.75 to be issued - at the settlement date of the consideration for the public exchange offer - in a ratio of one bond with a par value of EUR 1.75 for each treasury share purchased, on the bond whose issue will be resolved by the Board of Directors pursuant to and in accordance with article 2410 of the Italian Civil Code and, in any event, within the limits set by law, for a maximum value of the bond loan (as reserved for participants in the public exchange offer) of EUR 29,853,521.25. All of this according to the conditions, procedures and terms resolved by the Board of Directors at the time of promoting the public exchange offer pursuant to and in accordance with article 102 of Legislative Decree 58/1998;
3. granted authorisation to the Board of Directors, pursuant to and in accordance with article 2357-*ter* of the Italian Civil Code, to fully or partially dispose of the treasury shares acquired as a result of the

public exchange offering, also in several steps, at any time. The shares may be disposed of through sale on or off the stock exchange, also for the purpose of possible acquisitions and/or to develop alliances in line with the Group's strategies, in compliance with the *pro-tempore* applicable provisions of law and regulations in force, with the terms, methods and conditions of the disposal deemed most suitable in the Company's interest. The unit sale price (or, in any event, the unit value established during the disposal transaction) may in no case be lower than the average carrying amount of the shares purchased based on the authorisation. The authorisation pursuant to this point 3. is granted without time limits;

4. specified, pursuant to law that the purchases under said authorisation shall be within the limits of distributable profits and distributable reserves as per the latest financial statements (including interim financial statements) approved at the time of the purchase;
5. granted a mandate to the Board of Directors to make the appropriate accounting entries as a result of the purchases and disposals of treasury shares, in compliance with the provisions of law and accounting standards applicable at each time;
6. granted a mandate to the Chairman of the Board of Directors and the *pro tempore* Chief Executive Officer in office to implement, also individually and through attorneys, the transactions pursuant to the above resolutions.

Based on the authorisation resolved by the Ordinary Shareholders' Meeting of 29 April 2013, on the outcome of the voluntary partial public exchange offer on Mittel ordinary shares promoted by the Issuer pursuant to article 102 *et. seq.* of the Consolidated Law on Finance, 14,786,458 treasury shares were purchased by the Company, for a consideration of 14,786,458 bonds deriving from the "*Mittel S.p.A. 2013-2019*" bond loan listed on the MOT (Screen-based bond market).

Note the continuing validity of the powers granted to the Board of Directors by the Extraordinary Shareholders' Meeting of 26 July 2012: (i) to issue, in one or several steps, bonds convertible into common shares for a maximum par value of EUR 50 million, to be offered with pre-emptive rights to the entitled parties; (ii) to determine the par value of the bonds, the rate and duration of the loan, the exchange ratio, the period and methods for conversion, as well as all the other procedures and conditions of the loan and, as a result thereof, (iii) to increase the share capital against payment and in divisible form, for the purpose of the conversion of the bonds to be issued.

I) Management and Coordination

Pursuant to the combined provisions of articles 2497-*sexies* and 2359 of the Italian Civil Code, no company or entity exercises management and coordination of Mittel S.p.A.

* * *

For information on "*agreements between companies and directors and statutory auditors which envisage indemnities in the event of resignation or dismissal without just cause, or if the employment contract should terminate as a result of a takeover bid*" (article 123-*bis*, subsection 1, point h) of the Consolidated Law on Finance) refer to the Report on Remuneration published pursuant to article 123-*ter* of the Consolidated Law on Finance.

For information on the "*rules applying to the appointment and replacement of directors (...) and to amendments to the articles of association, of different from those applied by law or regulation as a supplementary measure*" (article 123-*bis*, subsection 1, point l) of the Consolidated Law on Finance), refer to paragraph 4.1 of this Report.

3. ACCEPTANCE OF THE CORPORATE GOVERNANCE CODE (article 123-bis, subsection 2, point a) of the Consolidated Law on Finance)

Mittel S.p.A. accepts the Corporate Governance Code promoted by Borsa Italiana S.p.A., which can be viewed on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it).

The Company shall annually provide disclosure concerning its governance system and its acceptance of the Corporate Governance Code, through a Report, also drawn up pursuant to article 123-bis of the Consolidated Law on Finance, which shall illustrate the degree of compliance with the principles and criteria applied thereto, established by the Code and by international best practice.

The Report shall be provided to Shareholders annually with the documentation envisaged for the Shareholders' Meeting to approve the financial statements, and shall also be promptly published on the Company's website (www.mittel.it) in the "Corporate Governance/Corporate Documents" section.

At its meeting on 11 December 2008, the Board of Directors resolved to set up a "Corporate Governance Team" composed of a member of the Board of Statutory Auditors, the General Manager and Independent Director Prof. Duccio Regoli. The Team's duties are to support the Board of Directors in applying governance, also formulating proposals for improvement, to provide suitable disclosure concerning new provisions of law and to ensure the correct application of regulations in force. For more information refer to paragraph 6.2 of this Report.

The Committees set up within the Board of Directors (see paragraphs 7, 8 and 10 of this Report) in compliance with the Corporate Governance Code shall meet and carry out their respective functions according to the provisions of said Code.

Examining the Company's operational governance structure, as set up by the Articles of Association and the Procedures adopted by the Issuer, and as illustrated herein, Mittel's commitment to applying to rules of best practice generally agreed upon can be clearly seen.

Neither the Issuer nor its subsidiaries of strategic importance are subject to non-Italian legal provisions that influence the Issuer's corporate governance structure.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement of Directors (article 123-bis, subsection 1, point I) of the Consolidated Law on Finance)

The Company is organised according to a traditional management and control model, pursuant to articles 2380-bis *et. seq.* of the Italian Civil Code, with Shareholders' Meetings, a Board of Directors and a Board of Statutory Auditors.

The Company is administered by a Board of Directors composed of no less than five and no more than 13 members, which need not be shareholders (article 5 of the Articles of Association). The Shareholders' Meeting shall establish the number of members of the Board, within the above limits and until otherwise resolved.

The Board Directors shall remain in office for three financial years, expiring at the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their term. Directors can be re-elected (Article 6 of the Articles of Association).

The Articles of Association in force govern the appointment of the Board of Directors, which is conducted based on lists submitted by shareholders (according to the procedures specified below), which must list the candidates according to a sequential number.

An extract from Article 15 of the Articles of Association in force at the date of this Report is shown below:

“The Board of Directors is appointed, in compliance with the pro-tempore regulations in force concerning the balance of genders, based on lists submitted by shareholders according to the procedures specified below, which must list the candidates according to a sequential number.

The lists submitted by shareholders, signed by the parties presenting them, must be filed at the company headquarters, available to any party who so requests, at least 25 days before the Shareholders' Meeting on first call. The lists shall be subject to other forms of publicity envisaged by the pro-tempore regulations in force.

No shareholder, shareholders participating in a significant shareholders' agreement pursuant to article 122 of Legislative Decree 58/1998, the controlling entity, or subsidiaries and companies subject to joint control pursuant to article 93 of Legislative Decree 58/1998 may submit or contribute to the submission, even through third parties or trust companies, of more than one list, nor may they vote for several lists, and each candidate may be included in only one list on pain of ineligibility. Participation and voting in breach of this prohibition shall not be attributed to any list.

Only shareholders which, individually or together with other submitting shareholders, own a total of shares representing at least 2.5% of share capital with voting rights in the Ordinary Shareholders' Meeting, or representing a smaller amount established by mandatory provisions of law or regulations shall be entitled to submit lists.

The following must be filed with each list, by the deadlines indicated above:

- (i) declarations with which the individual candidates accept their candidacies and, under their own responsibility, declare that no causes of ineligibility or incompatibility exist, and that they meet the requirements set forth by law for their offices;*
- (ii) a CV covering the personal and professional characteristics of each candidate, possibly indicating the candidate's suitability to be classified as independent.*

By the deadline set forth in the applicable regulations for the Company's publication of the lists, a specific certification must be filed, issued by an enabled intermediary pursuant to law, proving ownership, at the time the list is submitted, of the number of shares necessary to submit said list.

Lists which contain a number of candidates equal to or more than three must be composed of candidates of both genders (men and women), so that the minority gender comprises at least one-third of the candidates (rounded up to the next whole number).

Lists submitted in conflict with the provisions above shall be considered as not submitted.

The Board of Directors shall be elected as follows:

- a) all directors to be elected, save for one, shall be taken from the list obtaining the highest number of votes, in the sequential order they are indicated on the list;*
- b) the remaining director shall be taken from the minority list that is in no way connected, even indirectly, with the parties who submitted or voted for the list pursuant to point a), which obtained the second highest number of votes.*

In the event that with the candidates elected according to the above procedures:

- the composition of the Board of Directors complies with the pro-tempore regulations in force concerning the balance of genders is not guaranteed, the candidate of the majority gender who is elected as the last in the sequential numbers on the list which obtained the most votes shall be replaced by the first candidate of the minority gender who was not elected, from the same list according to the sequential order. This replacement

procedure shall be executed until the composition of the Board of Directors compliant with the pro-tempore regulations in force concerning the balance of genders. Lastly, where said procedure does not guarantee the results indicated just above, the replacement shall be made through a resolution of the Shareholders' Meeting by relative majority, by submitting candidates of the minority gender;

- the appointment of a number of Directors meeting the independence requirements set forth for Statutory Auditors by article 148, subsection 3 of Legislative Decree 58/1998, equal to the minimum number established by law in relation to the total number of Directors, is not guaranteed, the non-independent director elected as the last in the sequential numbers on the list which obtained the most votes pursuant to point a) of the above subsection shall be replaced by the first non-elected independent candidate in sequential order on the same list or, if none, by the first non-elected independent candidate in sequential order of the other lists, based on the number of votes obtained by each candidate, always in compliance with the applicable pro-tempore provisions of law and regulations in force concerning the balance of genders. Said replacement procedure shall take place until the Board of Directors is composed of a number of members that meet the requirements pursuant to article 148, subsection 3 of Legislative Decree n. 58/1998, equal to at least the minimum required by law. Lastly, where said procedure does not guarantee the results indicated just above, the replacement shall be made through a resolution of the Shareholders' Meeting by relative majority, by submitting candidates of the meeting the abovementioned requirements, in such a way as to ensure compliance with the applicable pro-tempore provisions of law and regulations in force concerning the balance of genders.

In the event that only one list is submitted, or if no lists are submitted, the Shareholders' Meeting shall resolve by legal majority, without conducting the above procedure, without prejudice to compliance with the pro-tempore regulations in force concerning the balance of genders. Different and additional provisions of mandatory rules of law and regulations shall be valid.

If one or more Directors fall from office during the year, provided that the majority remains composed of directors appointed by the Shareholders' Meeting, the procedure pursuant to article 2386 of the Italian Civil Code shall be followed, as set forth below and in compliance with the applicable pro-tempore provisions of law and regulations in force concerning the balance of genders:

a) by resolution approved by the Board of Statutory Auditors, the Board of Directors shall appoint the replacements, selecting candidates (who can still be elected) from the same list as the Directors who have left office, and the Shareholders' Meeting shall pass a resolution with the legal majority, in compliance with said criteria;

b) if there are no un-elected candidates on said list, or no candidates meeting the necessary requirements, or, in any event, when it is not possible to comply with the provisions of point a), the Board of Directors shall carry out the replacement in the same way as the Shareholders' Meeting, with legal majorities and with no list voting.

In any event, the Board of Directors and the Shareholders' Meeting shall make the appointments in such a way as to ensure (i) the presence of the total minimum number of independent directors required by the pro-tempore regulations in force and (ii) compliance with the pro-tempore regulations in force concerning the balance of genders."

The shareholding needed to submit the lists for the appointment of the administrative body established by Consob pursuant to article 144-*quater*, subsection 2 of the Issuers' Regulation (most recently, with Resolution no. 18682 of 23 October 2013) amounts to 4.5% of the share capital. However, by virtue of the provisions of the Articles of Association referred to above, the lower threshold established by the Articles of Association, i.e., 2.5% of the share capital, shall apply.

Directors must meet the requirements set forth by the pro-tempore regulations in force. A minimum number of Directors as envisaged by said regulations must meet the independence requirements pursuant to article 148, subsection 3 of the Consolidated Law on Finance, as referred to in article 147-ter, subsection 4 of the Consolidated Law on Finance.

Should a Director no longer meet the requirements, he/she shall fall from office. If a Director no longer meets the independence requirement as defined above, this shall not result in the Director falling from office if the requirements continue to be met by a minimum number of directors who, according to regulations in force, must meet said requirement.

The provisions of the Issuer's Articles of Association governing the composition and appointment of the Board are suitable to ensure compliance with the provisions of Legislative Decree no. 27 of 27 January 2010 on the implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies.

Furthermore (as reported above in the text of article 15 of the Articles of Association), the Company has aligned its Articles of Association to the provisions of Law no. 120 of 12 July 2011, implementing criteria that guarantee the balance of genders envisaged by article 147-ter, subsection 1-ter of the Consolidated Law on Finance, also in light of Consob Resolution no. 18098 of 8 February 2012, which added article 144-undecies to the Issuers' Regulation. Pursuant to article 28 of the Articles of Association, these provisions are applicable to the first three re-elections of the administrative body following 12 August 2012. In relation to the first of said re-elections, the quotas reserved to the minority gender amount to at least one-fifth (rounded up to the next whole number) of the members of the Board of Directors and, in derogation from the provisions of article 15 concerning the submission of lists containing a number of candidates equal to or more than three, these lists must be composed in such a way that at least one-fifth of the candidates (rounded up to the next whole number) are of the minority gender.

Succession plans

Based on instructions from the Corporate Governance Committee, the Board of Directors established that succession plans for executive directors are unnecessary, given the composition of the shareholding structure and the current structure of mandates. The same may be said for shareholders' approach to the professionals that are required on the Board: due to the composition, experience and attention of the major shareholders to the Company, it is not necessary to formulate approaches to issues such shareholders are well aware of.

4.2. Composition (article 123-bis, subsection 2, point d) of the Consolidated Law on Finance)

The Board of Directors currently in office, whose term will expire on approval of the financial statements for the financial year ended as at 30 September 2014, was appointed by the Ordinary Shareholders' Meeting of 27 March 2012 (through list voting pursuant to article 15 of the Articles of Association), which set the number of Board members at 13, subsequently supplemented by the Shareholders' Meeting of 26 July 2012. At the date of this Report, the Board is composed of 11 members, as shown below:

Franco Dalla Sega	Chairman
Romain C. Zaleski	Deputy Chairman
Arnaldo Borghesi	Chief Executive Officer
Maria Vittoria Bruno	Director
Giorgio Franceschi	Director
Stefano Gianotti	Director

Giambattista Montini	Director
Giuseppe Pasini	Director
Duccio Regoli	Director
Massimo Tononi	Director
Paolo Battocchi	Director

At the Ordinary Shareholders' Meeting of 27 March 2012 two lists of candidates for the position of Director were submitted for voting by the shareholder Istituto Atesino di Sviluppo S.p.A. (which, at the date of the Shareholders' Meeting, holds 8.822% of share capital in the Ordinary Shareholders' Meeting – List no. 1, which received 90.628% of votes) and by the shareholder La Scuola S.p.A. (which, at the date of the Shareholders' Meeting, holds 3.754% of the share capital in the Ordinary Shareholders' Meeting – List no. 2, which received 5.991% of votes).

The candidates proposed and elected are shown below:

LIST NO. 1		LIST NO. 2	
Name of Candidate	Elected	Name of Candidate	Elected
Prof. Giovanni Bazoli	✓	Mr. Giambattista Montini	✓
Mr. Arnaldo Borghesi	✓		
Ms. Maria Vittoria Bruno	✓		
Mr. Giorgio Franceschi	✓		
Mr. Stefano Gianotti	✓		
Mr. Giuseppe Pasini	✓		
Mr. Giampiero Pesenti	✓		
Prof. Duccio Regoli	✓		
Mr. Angelo Rovati	✓		
Mr. Massimo Tononi	✓		
Mr. Romain Camille Zaleski	✓		
Mr. Enrico Zobebe	✓		
Ms. Elena Beccalli	✗		

Following the appointments made on 27 March 2012, the Company received the resignations of Directors Prof. Giovanni Bazoli (Chairman), Stefano Gianotti and Giambattista Montini.

Pursuant to article 15 of the Articles of Association, a vacant office was to be covered by Prof. Elena Beccalli, an unelected candidate from the list submitted by Istituto Atesino di Sviluppo S.p.A., at the Shareholders' Meeting of 27 March 2012. After consulting with Prof. Beccalli in advance, she notified her waiver of candidacy in writing due to professional commitments.

During the Ordinary Shareholders' Meeting of 26 July 2012 the composition of the Board of Directors was completed by appointing the Directors Prof. Franco Dalla Sega (elected as Chairman by the Board of Directors' Meeting on the same date), Mr. Stefano Gianotti and Mr. Giambattista Montini. Mr. Montini was appointed after confirming that there were no situations of incompatibility pursuant to article 36 of Law Decree 201/2011.

A brief CV of each Director is available on the Issuer's website, www.mittel.it, "Corporate Governance/Board of Directors" section.

The following changes occurred during the Financial Year 2012/2013:

- on 19 April 2013 the Director Angelo Rovati passed away;
- on 23 April 2013 Cav. Enrico Zobele submitted his resignation from his position, due to professional reasons;
- on 29 April 2013 Giampiero Pesenti submitted his resignation from his position due to the extensive number of his commitments.

Pursuant to article 15 of the Articles of Association, one office of Director which was vacant in the financial year 2012/2013 was to be covered by Prof. Elena Beccalli, an unelected candidate from the list submitted by Istituto Atesino di Sviluppo S.p.A., at the Shareholders' Meeting of 27 March 2012. After consulting with Prof. Beccalli in advance, she notified her definitive waiver of candidacy in writing due to professional commitments.

On 29 April 2013, the Board of Directors appointed Enrico Eugenio Benaglio, Head of Investments and Interests at Italmobiliare S.p.A., to replace Giampiero Pesenti, pursuant to article 2386 of the Italian Civil Code.

On 30 July 2013, the Board appointed Paolo Battocchi, Chairman of the Fondazione Cassa di Risparmio di Trento e Rovereto, to replace Cav. Enrico Zobele, pursuant to article 2386 of the Italian Civil Code.

On 9 September 2013, following the full participation of the shareholder Italmobiliare S.p.A. in the voluntary partial public exchange offer promoted by Mittel on treasury shares, Enrico Eugenio Benaglio submitted his resignation from his offices held.

Since the end of the Financial Year to the date of approval of this Report, no changes have occurred in the composition of the Board of Directors.

Maximum total of offices held in other companies

In compliance with article 1.C.3 of the Corporate Governance Code, the Board defined the general criteria regarding the maximum number of administrative and control positions held in other companies compatible with effective performance of the role of Director of the Issuer, also taking account of the participation of Directors in the Committees of the Board.

Specifically, on 30 July 2013 the Company adopted regulations concerning the limits to the total number of offices held by its Directors, which differentiated such limits based on the position held with the Issuer (Executive Director/ Non-Executive Directors), and based on the nature and size of the company, or whether the company belongs to the Issuer's group. The reasons for ineligibility or fall from office, as well as the limits to the total number of offices envisaged by the *pro tempore* applicable law and regulations in force shall remain valid. Specifically, the Board also verified and ensured the correct application of the provisions pursuant to article 36 of Decree Law 201/2011.

With regard to the limit of the total number of offices, the Board has applied the following criteria, excluding from the scope of application administration, management and control positions held in (i) parent companies of Mittel, (ii) subsidiaries and/or associates of Mittel, (iii) which Mittel directly or indirectly holds an investment in:

- 1) Directors may not hold more than 5 administration and/or control offices based on that set forth herein:

1.1.) Executive Director:

- executive director in more than 2 other companies listed on Italian or foreign regulated markets, or in unlisted financial, banking or insurance companies of Significant Size (as defined herein);
- non-executive director or standing auditor in more than 4 other companies listed on Italian or foreign regulated markets, or in unlisted financial, banking or insurance companies of Significant Size (as defined herein);
- executive or non-executive director or standing auditor in companies belonging to the same group as the above companies, with the following weight: (i) up to a maximum of 4 offices in the same group shall have a value of 1, (ii) more than 4 offices in the same group shall have a value of 2.

1.2.) Non-Executive Directors:

- executive or non-executive director or standing auditor in more than 4 other companies listed on Italian or foreign regulated markets;
- executive or non-executive director or standing auditor in companies belonging to the same group as the above companies, with the following weight: (i) up to a maximum of 6 offices in the same group shall have a value of 1, (ii) more than 6 offices shall have a value of 2.

Where companies of "Significant Size" shall mean companies (i) with consolidated revenues exceeding EUR 500 million; (ii) or a number of employees, at group level, exceeding 500.

At the bottom of this Report, a list of offices of director or statutory auditor held by Directors in other companies listed on regulated markets, including foreign markets, in financial, banking or insurance companies or in large companies is shown, demonstrating compliance with the general criteria identified by the Company in relation to the limit of total offices illustrated above.

Induction Programme

Given the professionalism of each member of the Board of Directors, the Company deemed it unnecessary to set up measures to provide the Directors, following their appointment and during their term of office, with adequate knowledge of the business sector the Issuer operates in, company dynamics and their evolution, or the specific regulatory framework.

4.3 Role of the Board of Directors (article 123-bis, subsection 2, point d) of the Consolidated Law on Finance)

The central importance of the role performed by the Board of Directors, also in relation to Group companies, is based on the principles of sound corporate and business management, in compliance with the provisions of the Corporate Governance Code.

In implementation of the provisions of the Code, the Board:

- a) examines and approves the strategic, operational and financial plans of the Company and the Group it heads, the periodically monitoring plan implementation; defines the corporate governance system of the Company and the corporate structure of the Group;
- b) defines the nature and degree of risk in line with the Company's strategic targets:

- c) assesses the adequacy of the organisational, administrative and accounting structure of the Company as well as of its subsidiaries having strategic relevance, in particular with regard to the internal control system and risk management;
- d) specifies the frequency with which the delegated bodies report to the Board on the activities performed in the exercise of the powers delegated to them;
- e) assesses the general performance of operations, paying particular attention to the information received from the Executive Committee (where set up), the Chief Executive Officer (where appointed) or the General Manager and from the Control and Risks Committee (formerly the Internal Control Committee), and periodically compares the results achieved with those planned. This assessment is conducted on a case-by-case basis, at the various meetings, as well as on examining financial reports. These assessments are based on the existence of information flows between the management, the Non-Executive Directors and the Statutory Auditors, and on inspections carried out by the Control and Risks Committee, specifically with regard to the operation of the internal control system;
- f) resolves on transactions carried out by the Company and its subsidiaries having a significant impact on the Company's strategy, income statement, equity or financial position. To this end, the Board shall establish general criteria for identifying transactions which might have a significant impact;
- g) conducts, at least once a year, an assessment of the operation of the Board and its Committees, as well as their size and composition, also taking account of factors such as the professional characteristics, managerial and non-managerial experience and gender of its members, as well as their seniority of service.
- h) taking account of the outcome of the assessment pursuant to point g), provides guidance to shareholders, prior to the appointment of the new Board, on the professionals whose presence on the Board is recommended;
- (i) provides disclosure on its composition, in the Report on Corporate Governance, indicating for each member, the position, the role covered on the Board, the main professional characteristics, as well as the seniority of the position since initial appointment; (ii) on the procedures for applying said criteria and, specifically, on the number and average duration of meetings of the Board and the Executive Committee (where set up) held during the financial year and on the related percentage of attendance of each Director; (iii) on the procedures for conducting the assessment process pursuant to point g);
- j) in order to ensure the correct management of corporate information, adopts, on proposal by the Chief Executive Officer or the Chairman of the Board of Directors, procedures for internal management and external disclosure of documents and information concerning the issuer, with specific regard to inside information.

According to the Articles of Association (article 11), the Board of Directors shall meet at least on a quarterly basis.

During the Financial Year, the Board of Directors met 9 times. The total percentage of attendance of Directors at the meetings was 87.26%.

The average length of the meetings of the Board of Directors held during the Financial Year was approximately 2 hours and 27 minutes. Minutes of the meetings were duly recorded.

The majority of Independent Directors participated in all meetings.

As illustrated above, the effective operation of the Board of Directors is proven by the frequency of meetings during the Financial Year and the high percentage of attendance of the Directors at the meetings. Furthermore, at the meetings of the Board of Directors, all members take part in significant, constructive participation in discussions.

The Chairman of the Board of Directors ensured that the documentation relating to the issues on the agenda was provided to the Directors and Statutory Auditors at least 48 hours prior to the meeting. To that end, the Company sends the materials to be discussed via email, taking the necessary care in relation to confidential documents. Only in the event of specific reasons of confidentiality and urgency is the documentation presented directly during the Board meeting.

The timeliness and completeness of the disclosure provided prior to the meeting was deemed by the Board of Directors partially suitable. The Board of Directors acknowledged the assessments and assigned the Governance Committee to develop solutions for the observations that arose during the self-assessment.

Due to the need to provide suitable details on issues on the agenda and in order to promote the board meetings as a usual opportunity to ensure that (non-executive) Directors are suitably informed, managers of the Issuer or external professionals assigned to assist the company on specific issues may participate in board meeting, on invite from the Chairman or the Chief Executive Officer.

In compliance with the provisions in force issued by Borsa Italiana S.p.A., the calendar of the most important corporate events (meaning board meetings to approve period accounting figures and the Shareholders' Meeting to approve the separate financial statements) scheduled for the following financial year shall be disclosed to the market within 30 days from the end of each financial year. Any changes thereto shall be notified to the market. On the calendar of corporate events (for the financial year under way) 4 meetings of the Board of Directors are scheduled to approve the interim accounts, among other items. In the financial year under way (1 October 2013–30 September 2014) and up to the date of this Report, 1 meeting of the Board of Directors has been held.

The Board, also through the Control and Risks Committee (formerly the Internal Control Committee), has assessed the adequacy of the general organisational, administrative and accounting structure of the Company and its subsidiaries. On a half-yearly basis, the Board of Directors shall assess the report of the Control and Risks Committee which, in addition to the results of the audits conducted, also provides its opinion on the adequacy of the internal control system of the Company and the subsidiaries of strategic importance. At the meeting of 13 January 2014, the Board of Directors assessed the positive opinion expressed on the matter by the Control and Risks Committee (see also paragraph 11 below).

In the composition of the Board of Directors, all the main shareholders are represented and there is a correct balance in the ratio of Executive, Non-Executive and Independent Directors.

On 30 July 2013, the Board of Directors decided to once again include in its duties the annual self-assessment of its size, composition, operation and professional skills, in compliance with article 1.C.1, point g) of the Corporate Governance Code. In preparing the self-assessment questionnaire, the Company used a form complying with the best practices of listed companies that are the same size as the Company. On 13 January 2014 the Board analysed the results of the self-assessment questionnaire, which were sent to all members of the Board of Directors in advance. This assessment resulted in a quite fair opinion on average overall. Specifically, (i) the section "size, composition and operation of the Board of Directors" received an average rating just above fairly adequate, (ii) the section "size, composition and operation of the internal Committees of the Board of Directors" was judged slightly less than adequate, (iii) the section "communication between the Board of Directors and the top management" received an average rating of slightly higher than fairly adequate and (iv) the section "governance and risk governance" received an average rating of slightly less than fairly adequate. The Board of Directors acknowledged the assessments and assigned the Governance Committee to develop solutions for the observations that arose during the self-assessment.

For information on the Remuneration Policy implemented by the Issuer and on compensation received by Directors, refer to the Report on Remuneration prepared pursuant to article 123-*ter* of the Consolidated Law on Finance, which will be made available on the website: www.mittel.it according to the terms of law.

As regards the management of conflicts of interest and transactions with related parties of the Issuer and the Group it heads, refer to that set forth in paragraph 12 below.

4.4 Delegated Bodies

A) Chairman, Deputy Chairman and Chief Executive Officer

Pursuant to article 8 of the Articles of Association, the Board of Directors shall appoint a Chairman and one or more Deputy Chairmen of the Board, who remain in office for the entire term of the Board.

Pursuant to article 11 of the Articles of Association, the Board of Directors may delegate, within the legal limits and the limits set forth by the Articles of Association, part of its powers to the Chairman and Deputy Chairmen, as well as to other Directors, both for the execution of specific assignments and for general management, appointing one or more Chief Executive Officers.

At the meeting on 26 July 2012 the Board of Directors appointed Prof. Franco Dalla Sega as Chairman of the Board of Directors, assigning him only legal representation of the Company (in addition to the powers due him pursuant to law and the Articles of Association by virtue of his office of Chairman), without granting him operational powers. The Chairman does not play a specific role in drawing up corporate strategies.

At the meeting of 3 April 2012, the Board appointed:

- Mr. Romain C. Zaleski as Deputy Chairman, assigning him legal representation of the Company pursuant to law and the Articles of Association, as well as all the necessary powers for the operational management of the Company, to carry out all acts of ordinary administration relating to the corporate purpose – to be exercised in line with the general management strategies set by the Board of Directors – with the exception of acts availing of the investments in subsidiaries and associates and acts availing of property assets:
- Mr. Arnaldo Borghesi as Chief Executive Officer, assigning him (a) all the necessary powers to implement the resolutions of the Board of Directors or the Executive Committee, including those concerning acts outside ordinary administration, adopting all measures deemed necessary or suitable, with the right to delegate, in turn, the powers granted to third parties; (b) all powers of ordinary administration relating to the corporate purpose in line with the general management strategies set by the Board of Directors, with the exception:
 - (i) of acquisitions and disposals of investments and/or interests in subsidiaries and associates, which constitute financial fixed assets;
 - (ii) of acquisitions and disposals of property assets.

Merely by way of example, the above Director was assigned powers concerning the following:

- A) company representation and general operational activities;
- B) transactions concerning investments and securities which are not financial fixed assets, up to a maximum of EUR 5 million per single transaction and EUR 25 million per each financial year;
- C) operations with banks and financial companies in general, up to a maximum of EUR 20 million per single transaction concerning the assumption of mortgages and loans and the granting of guarantees, which shall not exceed EUR 70 million per each financial year;

- D) legal disputes;
- E) employment relationships.

The Board of Directors adopted the prohibition of “cross-directorship” pursuant to article 2.C.5 of the Corporate Governance Code applied by the Company. In compliance with that provision, Mittel’s Chief Executive Officer cannot take on the role of Director in another issuer that is not part of Mittel’s Group, in which a Director of the Company is Chief Executive Officer.

B) Executive Committee (article 123-bis, subsection 2, point d) of the Consolidated Law on Finance)

Pursuant to article 11 of the Articles of Association, the Board of Directors may also appoint an Executive Committee, and, on its appointment, establish the number of members, duties and operating procedures.

In compliance with that set forth in article 11 of the Articles of Association, the Board of Directors’ Meeting of 23 November 2010 set up an Executive Committee, composed of three members, requesting the participation of Mr. Massimo Tononi (Chairman), Mr. Romain C. Zaleski and Mr. Giorgio Franceschi, who submitted their resignations on 16 March 2012. In consideration of the appointments made by the Shareholders’ Meeting of 27 March 2012, the Board of Directors’ meeting of 3 April 2012 confirmed the creation of the Executive Committee, requesting the participation of the following Directors:

- Mr. Arnaldo Borghesi - Chairman
- Mr. Giorgio Franceschi
- Mr. Romain Camille Zaleski

The members of the Executive Committee shall remain in office for the entire term of the Board of Directors which appointed them. The composition, powers and operating procedures of the Executive Committee are set forth, in compliance with the principles sanctioned by the Corporate Governance Code and the provisions of law, regulations and the Articles of Association applicable to the Company, in specific Regulations approved by the Board Meeting on 23 November 2010 and subsequently amended by the Board of Directors’ Meetings of 10 February 2011 and 20 December 2012.

Pursuant to said Regulations, the Executive Committee is composed of three persons selected from the members of the Board of Directors who, unless otherwise resolved by the Board, shall remain in office for the entire term of the Board of Directors which appointed them. The Committee members may be revoked by the Board of Directors, which, in any event, may issue instructions to the Committee at any time, as well as take over transactions under the Committee’s responsibility.

The Board of Directors shall appoint the Chairman of the Executive Committee. Where this is not carried out by the Board, the Chairman shall be designated by the members of the Executive Committee at its first meeting.

In the event that a Director who is a member of the Executive Committee leaves office for any reason, the Board of Directors shall complete the Executive Committee, also by designating a person other than that appointed pursuant to article 2386 of the Italian Civil Code.

The Executive Committee ensures that the operational management of the Company develops in harmony with the general management strategies set by the Board of Directors, and supports the operations of the Chief Executive Officer.

The Executive Committee is granted all powers of ordinary and extraordinary administration of the Company, except for those which are reserved to the Board of Directors by law or by the Articles of Association, taking account of the powers assigned by the Board of Directors to the Chief Executive Officer. The Chief Executive Officer shall promptly inform the members of the Executive Committee in advance of the following transactions:

- I. hiring and dismissal of key personnel;
- II. entering into consulting agreements for amounts exceeding EUR 250,000 per single transaction or set of connected transactions;
- III. acquisitions (for any reason and in any form), transfers and disposals (full or partial, for any reason and in any form) entered into with companies which are not part of the Group, concerning investments, financial assets held for trading, available-for-sale financial assets and property assets for an amount exceeding EUR 6,000,000 per single transaction or set of connected transactions.

The Executive Committee has the right – in the shortest time possible, and, in any event, within one week from notification by the Chief Executive Officer – to decide that the Company will not finalise the transaction or to impart instructions for the execution thereof.

Furthermore, with specific regard to Group subsidiaries, the procedure for informing the Executive Committee in advance, described above, shall also apply to transactions (which the Chief Executive Officer is informed of) involving the granting of loans or the issue of guarantees by Group companies to companies which are not consolidated in the Group, in a single transaction or set of connected transactions, for an amount exceeding EUR 5,000,000.

As regards the operation of the Executive Committee, pursuant to the Regulations, the Committee generally meets on a monthly basis on request by the Chairman, as well as each time there is the need or a meeting is requested by the Chief Executive Officer.

The notice of call must be sent, for information purposes, to the Chairman of the Board of Directors and to the Statutory Auditors. If no notice of call is sent, meetings shall be validly held in any event if all the members of the Executive Committee and all the Statutory Auditors are in attendance.

Specific minutes are recorded for each meeting of the Executive Committee, signed by the Chairman of the meeting and the Secretary (which need not be a member of the Committee and, if needed, can be appointed on a permanent basis), recorded in a specific register kept by the members of the Executive Committee.

During the Financial Year in question, the Executive Committee met 11 times. 100% of members attended the meetings. The average duration of the meetings was approximately 60 minutes.

Generally on a quarterly basis, the Board of Directors was informed about the activities carried out by this body.

C) General Manager

Following the resignation of Mr. Mario Raffaele Spongano from the office of General Manager, the Board of Directors' Meeting of 28 May 2012 appointed Ms. Maurizia Squinzi to this office, and assigned her to oversee the operational management of the Company, granting her all powers of ordinary administration relating to the corporate purpose, in line with the general management strategies set by the Board of Directors, with the exception of:

- a) acquisitions and disposals of investments and/or interests in subsidiaries and associates, which constitute financial fixed assets;

b) acquisitions and disposals of property assets.

During the Financial Year, the General Manager used the powers granted only for the purpose of managing company business.

D) Reporting to the Board

Save for cases of necessity or urgency or for reasons of confidentiality, the Chairman shall ensure that the members of the Board are provided, reasonably in advance of the date of the meeting, with information that allows them to participate effectively in the work of the board concerning resolutions of particular importance.

In line with the provisions of the Articles of Association, the Board of Directors has always reported to the Board of Statutory Auditors on the activities performed and the most significant economic, financial and equity transactions conducted by the Company or its subsidiaries, as well as on transactions in potential conflict of interest.

Since his appointment, the Chief Executive Officer, and the General Manager have always reported to the Board of Directors, the Executive Committee and the Board of Statutory Auditors – generally on a quarterly basis – on the activities performed, both in exercising the powers assigned to them and as part of executing transactions resolved by the Board.

Since its appointment, the Executive Committee has always reported to the Board of Directors on the activities performed, both in exercising the powers assigned to it and as part of executing transactions resolved by the Committee.

4.5 Other Executive Directors

The following shall be understood as Executive Directors pursuant to the Corporate Governance Code, during the Financial Year and as long as they are in office:

- Mr. Arnaldo Borghesi, as Chief Executive Officer and member of the Executive Committee;
- Deputy Chairman Mr. Romain Camille Zaleski, vested with delegated powers and member of the Executive Committee;
- Mr. Giorgio Franceschi, as member of the Executive Committee.

The Non-Executive Directors who took office during the Financial Year, according to the events summarised in the table below, are as follows: Franco Dalla Sega, Angelo Rovati, Massimo Tononi, Maria Vittoria Bruno, Stefano Gianotti, Giambattista Montini, Giuseppe Pasini, Giampiero Pesenti, Duccio Regoli and Enrico Zobe.

Non-Executive Directors	Date appointed	Resignation /expiration of term	Term as Non-Executive Director
Franco Dalla Sega	Sh. Meeting 26.07.2012		
Maria Vittoria Bruno	Sh. Meeting 27.03.2012		
Stefano Gianotti	Sh. Meeting 26.07.2012		
Giambattista Montini	Sh. Meeting 26.07.2012		
Giuseppe Pasini	Sh. Meeting 27.03.2012		
Giampiero Pesenti	Sh. Meeting 27.03.2012	26.04.2013	

Duccio Regoli	Sh. Meeting 27.03.2012		
Angelo Rovati	Sh. Meeting 27.03.2012	19.04.2013	Since 24.07.2012*
Massimo Tononi	Sh. Meeting 27.03.2012		
Enrico Zobebe	Sh. Meeting 27.03.2012	23.04.2013	
Enrico Benaglio	BoD Meeting 29.04.2013	09.09.2013	Since 29.04.2013
Paolo Battocchi	BoD Meeting 30.07.2013		Since 30.07.2013

**date of resignation from the position of Chairman of the Board of Directors of the then-strategic subsidiary Mittel Generale Investimenti S.p.A.*

4.6 Independent Directors

The Directors: Stefano Gianotti, Giambattista Montini, Giuseppe Pasini, Duccio Regoli and Maria Vittoria Bruno declared, at the time of their appointment, that they meet the requirements set forth by the Corporate Governance Code to be classified as "Independent Directors" and that they meet the independence requirements set forth in article 148, subsection 3 of the Consolidated Law on Finance. They continued to meet these requirements during the Financial Year, and such requirements were assessed at the Board of Directors meeting of 13 January 2014.

The correct application of the criteria for assessing the independence of directors was verified by the Board of Statutory Auditors, as specified in the Report of the Board of Statutory Auditors to the Shareholders' Meeting.

In assessing the independence requirements of Directors, no parameters were used other than those set forth in the Corporate Governance Code, with the exception of the non-application of criterion 3.C.1, point e), as specified below.

Of the requirements used to assess the independence of Directors, the Board of Directors deemed that the simple fact of a Director's term of office exceeding nine years out of the last twelve, separate from other facts, should not in itself invalidate the Director's autonomy of judgement. Therefore, the Board did not apply criterion 3.C.1, point e) of the Corporate Governance Code.

Specifically, it was decided that a Director's independence must be evaluated in relation to the autonomy of judgement that the person shows in relation to the executive bodies and any major shareholders. If, on one hand, so-called affiliations with the Company and situations where a Director is financially dependent on the Issuer are considered potentially harmful to independence, on the other, the presence of the same person on the Issuer's Board of Directors for over nine years, where all the other requirements set forth by the Corporate Governance Code are in place, should not always and in any situation be considered as preventing the classification of the Director as independent: The consolidation of knowledge of the specific problems of the business, the status of the person considered, the absence of interests and relationships with the Company, also in the prior years of office, all constitute positive values which make it possible to consider the Director's capacity of judgement to be autonomous and unaffected.

Similar considerations are deemed applicable, where necessary, in assessing the independence of members of the Board of Statutory Auditors (see paragraph 14 below).

During the Financial Year, the Independent Directors met once, at the time of the meeting of the Board of Directors of 20 December 2012.

4.7. LEAD INDEPENDENT DIRECTOR

As the necessary conditions indicated in the Corporate Governance Code were not applicable, it was deemed unnecessary to appoint a Lead Independent Director.

5. HANDLING OF CORPORATE INFORMATION

The Deputy Chairman, the Chief Executive Officer and the General Manager, coordinating with each other, shall ensure the correct handling of corporate information and disclosure of confidential information to the public and the authorities, with specific regard to the price sensitive information and information concerning transactions in financial instruments conducted by persons who, as a result of their function, office or assignment performed, have access to inside information.

Disclosures to the authorities and the public – including shareholders and investors, analysts and journalists – are carried out by the deadlines and according to the procedures pursuant to regulations in force, in compliance with the principles of fairness and contextual disclosure.

All Directors are required to keep confidential the documents and information acquired in carrying out their duties, and to observe the procedures implemented for external disclosure of said documents and information.

In this regard, the Board of Directors has implemented suitable procedures for the management of information flows.

Specifically, in compliance with the provisions of law, during the financial year 2005/2006, the Company implemented “**Procedures for the management and handling of inside information referred to in article 114, subsection 1 of Legislative Decree no. 58/1998**”, which can be viewed on the Company’s website www.mittel.it/corporate-governance/internal-dealing/procedures-for-the-handling-of-inside-information. In order to set up a suitable instrument for defining persons who, as a result of their work or profession or based on the functions performed, have access to the inside information referred to in article 114, subsection 1 of the Consolidated Law on Finance, in compliance with the provisions of article 115-*bis* of the Consolidated Law on Finance, the Board of Directors of Mittel set up the “Register of persons with access to the inside information referred to in article 114, subsection 1 of Legislative Decree no. 58/1998” for the Mittel Group, and approved the “**Procedures for keeping and updating the Register of persons with access to inside information referred to in article 114, subsection 1 of Legislative Decree no. 58/1998**”.

Said Register, managed by the Parent Company also on behalf of the subsidiaries, by virtue of a resolution of the Board of Directors or the equivalent body, adopted by each of the above companies, states:

1. the identity of the persons with access to inside information by virtue of their work or profession;
2. the reason for the person being recorded in the Register;
3. the date of registration and each subsequent update;
4. the date of cancellation of the relevant person.

The Company provides prompt information to the interested party.

6. INTERNAL COMMITTEES OF THE BOARD (article 123-*bis*, subsection 2, point d) of the Consolidated Law on Finance)

This paragraph provides information on the committees and teams set up within the Company, other than those set forth in the Corporate Governance Code, and illustrates their functions. For the additional

Committees, refer to paragraphs 7 and 8 (Remuneration and Appointment Committee) and paragraph 10 (Control and Risks Committee). The Board of Directors' meeting of 30 July 2013 decided, for organisational reasons, to create a single committee for appointments and remuneration, in compliance with the provisions of the Corporate Governance Code concerning functions and composition.

6.1 Group Risk Management Committee

In financial year 2008/2009 the Group Risk Management Committee was set up. This is an intercompany committee which assists the top management, with the purpose of ensuring risk oversight and management, in addition to the protection of company value, at Group level.

The Committee's duties are as follows:

- a) monitoring the liquidity situation, the performance of market risks, the loans situation, operational risks, legal/tax disputes, etc., of the Mittel Group on the basis of the reports from the Managers of the functions in charge of management and control of specific risks;
- b) ensuring that the General Manager is provided with a complete, comprehensive view of the Mittel Group's risk exposure;
- c) assisting the General Manager in defining the Group's risk profile;
- d) supporting the General Manager in defining any corrective strategies;
- e) ensuring the adequacy and effectiveness of risk measurement and reporting systems.

The Group Risk Management Committee is assigned powers to propose, advise and inform.

The Committee is comprised of the General Manager, the Chief Financial Officer (CFO), the Manager responsible for preparing the Company's financial reports (COO), the Internal Control Manager, as permanent members, as well as the parties in charge of management and control of specific risks of Mittel and the companies over which Mittel exercises management and coordination.

The General Manager holds the office of Chairman of the Committee, with the responsibility of planning and coordinating the Committee's activities and conducting the Committee meetings.

The Internal Control Manager holds the office of Secretary of the Committee, with the duty of drawing up the minutes of the meetings.

At the date of this Report, the Group Risk Management Committee is composed of the General Manager and CFO since 1 October 2013, Ms. Maurizia Squinzi, the COO Mr. Pietro Santicoli, the Internal Control Manager Mr. Fabrizio Carminati as permanent members, as well as Prof. Duccio Regoli and Mr. Giovanni Brondi, representing the Control and Risks Committee and the Board of Statutory Auditors, respectively, and by the heads of the functions of the Mittel Group concerned in each case.

6.2 Corporate Governance Team

At its meeting on 11 December 2008, the Board of Directors resolved to set up a "Corporate Governance Team" (hereinafter, also the "Team"), which was assigned the duty to support the Board of Directors in applying governance, also formulating proposals for improvement on the current status, to provide suitable disclosure concerning new provisions of law and to ensure the correct application of regulations in force.

At the date of this Report the "Corporate Governance Team" was composed of Prof. Duccio Regoli, Chairman, Ms. Maurizia Squinzi and Mr. Giovanni Brondi (Chairman of the Board of Statutory Auditors). During the Financial Year the Corporate Governance Team carried out the activities described in brief below.

The Team previously assisted the Board of Directors in drawing up this Report as well as in defining the amendments to the "Procedures concerning transactions concluded by relevant persons pursuant to article

114, subsection 7 of Legislative Decree no. 58/1998” (Internal Dealing Procedures), adopted on 23 November 2010, and the “Procedures for transactions with related parties” (pursuant to paragraph 12 below), also approved on 23 November 2010. The Team has also dealt with other issues relating to Mittel’s governance: specifically, the Team has assessed adjustments to the Issuer’s governments in order to reflect the updates to the most recent version of the Corporate Governance Code approved by the Board of Directors during the financial year 2012/2013. As regards the recommendations on the remuneration of Executive Directors and Key Managers, the Team continued its analysis of the remuneration policies adopted by other listed companies, in line with national and international best practices in order to propose possible changes to the Remuneration policy. The Team is also continuing with the work it began during the previous financial year, concerning the verification of the methods for disseminating information flows and increasing the degree of disclosure of corporate documentation of interest for the market.

7. APPOINTMENTS COMMITTEE

At the meeting of 30 July 2013, the Board decided to assign the duties and functions recommended by the Corporate Governance Code to the Remuneration Committee, expanding its duties in compliance with the required conditions. Therefore, please see paragraph 8 (Remuneration and Appointments Committee).

8. REMUNERATION AND APPOINTMENTS COMMITTEE (article 123-bis, subsection 2, point d) of the Consolidated Law on Finance)

Composition and operation of the Remuneration and Appointments Committee

The Remuneration and Appointments Committee, set up on 9 September 2013 and subsequently expanded on 13 January 2014, is currently composed of:

Stefano Gianotti (Independent Director) - Chairman

Duccio Regoli (Independent Director)

Paolo Battocchi – since 13 January 2014

Director Giampiero Pesenti held the position of Chairman of the Committee until his resignation on 29 April 2013. Since that date, Stefano Gianotti has held the office of Chairman of the Committee, who was deemed to possess suitable knowledge and experience in financial matters, as verified by the Board, while the composition of the Committee was expanded with the appointment of Mr. Enrico Benaglio, who held the office of Committee member until 9 September 2013 (date of his resignation from the office of Director). Subsequently, the composition of the Committee was further expanded, with the appointment of Paolo Battocchi on 13 January 2014.

At the meeting of 30 July 2013, the Board of Directors expanded the Regulations of the Remuneration and Appointments Committee to include the specific duties and functions of the Appointments Committee, as recommended by the Corporate Governance Code applied by the Company, thereby establishing the Remuneration and Appointments Committee.

Specifically, the Committee is comprised of at least three members of the Board of Directors who meet the independence requirements referred to in the Corporate Governance Code. As an alternative, the Committee may be comprised of Non-Executive Directors, the majority of whom meet the independence requirements referred to in the Corporate Governance Code. In that case, the Chairman of the Committee is selected from the independent directors.

At least one member of the Committee shall have suitable knowledge and experience in financial matters or remuneration policy, to be assessed by the Board of Directors at the time of appointment.

Committee members shall be appointed by resolution of the Board of Directors.

The Committee remains in office until the date of the Shareholders' Meeting called to approve the separate financial statements for the third year of its term. In any event, the Committee shall be terminated on termination of the Board of Directors.

If one or more members of the Committee cease to serve for any reason, during the term of the Committee, the Board of Directors shall replace it by appointing those of its members who meet the requirements pursuant to the Corporate Governance Code.

Where the Board of Directors fails to do so, the Committee shall elect a Chairman from among its members, observing the requirements set forth in this article.

The Chairman has the responsibility of planning and coordinating the Committee's activities, chairing and conducting the Committee meetings, representing the Committee at meetings of the Board of Directors, with the power to sign, in the Committee's name, the reports and opinions to be submitted to the Board of Directors. If the Chairman is absent or unavailable, he shall be substituted in all of this powers and duties by the most senior member of the Committee in terms of age.

The Committee shall appoint a secretary, also on a case-by-case basis, who need not be a member of the Committee, and shall assign the secretary the task of drawing up the minutes of the meetings.

The Committee meets with the necessary frequency to carry out its functions, or when the Chairman deems it suitable, also on request by one or more of its members.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the same shall support the work of the Committee.

At the Chairman's invitation, other parties who are not members of the Committee may participate in Committee meetings, in relation to single points on the agenda.

The Committee's decisions are adopted by absolute majority of members participating in the meeting. In the event of a draw in votes, the vote of the person chairing the meeting shall prevail. In order for the meetings to be valid, the majority of members must be present.

No Director shall participate in the meetings of the Remuneration Committee where proposals are formulated to the Board of Directors concerning that Director's remuneration.

The Committee's positions, any proposals submitted and decisions taken are adequately reported in the minutes of the meetings. The minutes, signed by the Chairman and the Secretary shall be recorded in a specific register.

The resolutions taken by the Committee are reported to the Board of Directors at its next meeting. To this end, the Chairman of the Committee sends the Board of Directors, suitably in advance of the date set forth the meeting, where possible save for reasons of urgency, a copy of the minutes or a report describing the issues discussed and the decisions taken, and, at the meeting, provides any clarifications requested in this regard.

At the meeting of 30 July 2013, the Board of Directors assigned the Committee an expenditure budget of EUR 10,000 in order to use the services of external consultants, if necessary. The budget was not used during the Financial Year.

Functions of the Remuneration and Appointments Committee

The Committee carries out advisory and propositional functions in relation to the Board of Directors on the issues of remuneration of Directors and Key Managers and the appointment of Directors.

Functions of the Committee on the issue of remuneration of Directors and Key Managers

The Committee:

- periodically assesses the adequacy, overall consistency and concrete application of the remuneration policy adopted by the Company in relation to the remuneration of Directors and Key Managers (including the Company's General Manager and Executive Directors of its subsidiaries), using, in the latter case, the information provided by the Chief Executive Officer or the Central Management, depending on the case; formulates proposals to the Board of Directors for adoption and/or possible updating of the remuneration policy pursuant to law and regulations;
- formulates proposals on the remuneration of Directors holding specific roles, including the remuneration of the members of the Committees set up within the Board of Directors, save for that specified in the following point;
- with regard to the remuneration of the Chief Executive Officer and Key Managers (including the General Manager of the Company and Executive Directors of its subsidiaries), expresses opinions to the Board of Directors on the creation of short and/or long-term incentive systems, on the definition of performance targets linked to the variable component of remuneration and, if necessary, on the review of said targets; verifies the actual achievement of the performance targets and submits its assessments to the Board of Directors for the final determination of the variable component;
- fulfils all other duties assigned to the Committee by the Board of Directors concerning remuneration policy, and carries out all functions attributed to it under the remuneration policy adopted by the Company.

In order to carry out its functions pertaining to remuneration, during the Financial Year, the Committee met three times. All members participated in the meetings, as well as the Chairman of the Board of Statutory Auditors. The average duration of the meetings was 2 hours and 50 minutes.

The Committee debated (i) the Proposed Remuneration Policy, formulating a document in agreement with the Independent Directors, approved by the Board of Directors' meeting of 10 January 2013, (ii) the proposal to define the targets of Key Managers for the purpose of determining the variable component of their compensation, and (iii) the remuneration policy for Key Managers, to be submitted to the Board of Directors during the financial year 2013/2014 for its final approval.

Functions of the Committee on the issue of the appointment of Directors

The Committee:

- proposes to Board of Directors candidates for the office of Director in the event of co-optation, where Independent Directors must be replaced;
- formulates opinions to the Board of Directors concerning the size and composition of the Board and makes recommendations on the professionals whose presence on the Board is recommended;
- expresses opinions on the maximum number of offices of Director or Statutory Auditor held in other companies listed on regulated markets (including foreign markets), in financial, banking or insurance companies or in companies of significant size, which may be considered compatible with effective

performance of the role of Director of the Company, also taking account of the participation of Directors in the internal Committees of the Board of Directors.

- formulates opinions to support the Board of Directors' assessment of specific problematic cases in the presence of a precautionary general authorisation to derogate from the prohibition on competition set forth in article 2390 of the Italian Civil Code.

In order to carry out its functions pertaining to the appointment of Directors - considering its recent creation - the Committee did not have the chance to meet during the Financial Year.

9. REMUNERATION OF DIRECTORS

For information on the Remuneration Policy implemented by the Issuer and on compensation received by Directors, refer to the Report on Remuneration prepared pursuant to article 123-*ter* of the Consolidated Law on Finance and article 84-*quater* of the Issuers' Regulation, which will be made available on the website: www.mittel.it, according to the terms of law.

10. CONTROL AND RISKS COMMITTEE (article 123-*bis*, subsection 2, point d) of the Consolidated Law on Finance)

Composition and operation

Since 16 May 2012, the Control and Risks Committee has been composed of:

- Prof. Duccio Regoli as Chairman (Independent Director)
- Mr. Massimo Tononi
- Maria Vittoria Bruno (Independent Director)

At the meeting of 30 July 2013, the Board of Directors changed the name of the Committee (from the Internal Control Committee to the Control and Risks Committee) and the Regulations of the Committee, aligning it with the recommendations of the Corporate Governance Code applied by the Company.

As the Committee currently stands, both Director Massimo Tonini and Director Maria Vittoria Bruno have suitable knowledge of and experience in accounting and financial matters, as verified by the Board following their appointment.

At the time of presentation of the annual and interim reports, the Control and Risks Committee reported to the Board of Directors on the outcome of the audits conducted, and informed the Board of the contents of the above report, which contains a positive opinion on the adequacy of the Mittel Group's internal control system.

The Committee is comprised of three members of the Board of Directors who meet the independence requirements referred to in the Corporate Governance Code. As an alternative, the Committee may be comprised of at least three Non-Executive Directors, the majority of whom meet the independence requirements referred to in the Corporate Governance Code. In that case, the Chairman of the Committee is selected from the independent directors. At least one member of the Committee shall have suitable experience in accounting and financial matters or risk management, to be assessed by the Board of Directors at the time of appointment.

The Committee remains in office until the date of the Shareholders' Meeting called to approve the separate financial statements for the third year of its term. In any event, the Committee shall be terminated on termination of the Board of Directors.

If one or more members of the Committee cease to serve for any reason, during the term of the Committee, the Board of Directors shall replace them by appointing those of its members who meet the requirements of the Control and Risks Committee Regulations and the Corporate Governance Code.

Where the Board of Directors fails to do so, the Committee shall elect a Chairman from among its members. The Chairman has the responsibility of planning and coordinating the Committee's activities, chairing and conducting the Committee meetings, representing the Committee at meetings of the Board of Directors, with the power to sign, in the Committee's name, the reports and opinions to be submitted to the Board of Directors. If the Chairman is absent or unavailable, he shall be substituted in all of this powers and duties by the most senior member of the Committee in terms of age.

The Committee shall appoint a secretary, on a case-by-case basis, who need not be a member of the Committee, and shall assign the secretary the task of drawing up the minutes of the meetings.

The Committee has the right to access the corporate information and functions necessary to carry out its duties, and may use the assistance of external consultants, according to the terms set by the Board of Directors. The Company shall provide the Committee with suitable financial resources to fulfil its duties, which shall be approved by the Board of Directors each time.

At the meeting of 30 July 2013, the Board of Directors assigned the Committee an expenditure budget of EUR 10,000 in order to use the services of external consultants, if necessary. The budget was not used during the Financial Year.

The Committee generally meets on a quarterly basis and, in any event, with the necessary frequency to carry out its functions, or when the Chairman deems it suitable, also on request by one or more of its members, in relation to specific situations or transactions. The Committee may approve a general calendar of its future meetings.

In order for the meetings to be valid, the majority of members must be present.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the same shall participate in the Committee meetings. The other Statutory Auditors are also entitled to attend. At the Chairman's invitation, other parties who are not members of the Committee may participate in Committee meetings, in relation to single points on the agenda.

The minutes, signed by the person chairing the meeting and the secretary, shall be recorded in a specific register set up for such purpose.

The Committee's decisions are adopted by absolute majority of members participating in the meeting. In the event of a draw in votes, the vote of the person chairing the meeting shall prevail. Any participant who has a personal interest or interest on behalf of others in the subject of the resolution shall inform the Committee of this and abstain from voting.

The resolutions taken by the Committee are reported to the Board of Directors at its next meeting. To this end, the Chairman of the Committee sends the Board of Directors, suitably in advance of the date set forth the meeting, a copy of the minutes or a report describing the issues discussed and the decisions taken, and, at the meeting, provides any clarifications requested in this regard.

The Board of Statutory Auditors and the Control and Risks Committee shall promptly exchange significant information for carrying out their respective duties.

Functions of the Control and Risks Committee

The Committee carries out advisory and propositional functions in relation to the Board of Directors on the issue of internal control and risk management, and supports the Board of Directors in relation to Board decisions concerning the approval of periodic financial reports.

Specifically, the Committee is assigned the following duties:

- assessing, working with the Manager responsible for preparing the Company's financial reports, obtaining the opinion of the independent auditors and the Board of Statutory Auditors, the correct application of accounting standards and the consistency of the standards for the purpose of drawing up consolidated financial statements;
- expressing opinions on specific aspects concerning the identification of the main company risks;
- examining periodic reports concerning the assessment of the internal control and risk management system, and those of particular importance drawn up by the internal audit department;
- monitoring the autonomy, adequacy and efficiency of the Company's internal audit department;
- requesting that the Internal Audit Department conduct audits on specific operational areas, concurrently notifying the Chairman of the Board of Statutory Auditors;
- reporting to the Board of Directors, at least every six months, on approval of the financial statements and the interim report, on the activities carried out, as well as on the adequacy of the internal control and risk management system.
- assessing any problems and critical issues reported to the Committee by the Executive Director in charge of the internal control and risk management system, detected by said Director in carrying out his duties or which he was informed of. Reporting to the Board of Directors on such problems and critical issues, formulating proposed actions to be taken in that regard;
- examining the reports prepared, periodically or for events of particular importance, by the Internal Audit Manager and sent to the Chairman of the Committee.

The Committee draws up its prior opinion for the Board of Directors for the purpose of:

- defining the guidelines of the internal control and risk management system, so that the main risks of the Company and its subsidiaries are correctly identified and suitably measured, managed and monitored, also determining the degree of compatibility of such risks with business management in line with the strategic targets identified;
- assessing, at least annually, the adequacy of the internal control and risk management system in relation to the characteristics of the business and the risk profile assumed, as well as the effectiveness of the system;
- approving, at least annually, the audit plan drawn up by the Internal Audit Manager, obtaining the opinion of the Board of Statutory Auditors and the Executive Director in charge of the internal control and risk management system;
- describing, in the corporate governance report, the essential elements and main characteristics of the internal control and risk management system, expressing its opinion on the adequacy of the system;
- assessing, obtaining the opinion of the Board of Statutory Auditors, the results presented by the independent auditors in their recommendation letter, if any, on the fundamental issues that arose during the audit;

- identifying the internal audit manager, verifying his/her skills, assessing the allocation of adequate resources for performing their functions, and assessing the consistency of remuneration proposed with company policy.

During the Financial Year, the Committee met five times, also to assess several of the main operations resolved by the Board of Directors during the year. The average length of the meetings held during the Financial Year was approximately 2 hours. The Chairman of the Board of Statutory Auditors participated in all of the Committee meetings. The Committee also conducted several assessments of the organisational, administrative and accounting structure of the Company, subsequently reporting to the Board of Directors. All members generally participated in the meetings. The Chairman of the Committee also participated in most of the meetings of the Group Risk Management Committee and the meetings of the Supervisory Body.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control system is defined as the set of rules, procedures and organisational structures which ensure, through a suitable process of identification, measurement, management and monitoring of the main risks, the sound, correct running of the business in line with the set objectives. The Board of Directors is responsible for the internal control system, establishes its guidelines and periodically assesses the adequacy and effective operation of the system, ensuring that the main business risks are suitably identified and managed.

The role of the Executive Director in charge of the internal control and risk management system was assigned to Chief Executive Officer Mr. Arnaldo Borghesi on 30 July 2013.

The internal control department operates within the Parent Company and in relation to the main subsidiaries. It reports on its work to the Control and Risks Committee of the Parent Company, on a quarterly basis, for the activities carried out at Parent Company and Group levels. It also directly reports to the Boards of Directors of the various companies on the control activities conducted in relation to said companies, and to the Board of Statutory Auditors on an ongoing basis, in compliance with the deadlines and procedures set forth by law.

It holds periodic meetings with the Board of Statutory Auditors and the Independent Auditors.

The Board of Directors, with the support of the Control and Risks Committee, defines the guidelines of the internal control and risk management system, so that the main risks of the Company and its subsidiaries are correctly identified and suitably measured, managed and monitored. The Board also determines the criteria of compatibility of such risks with the strategies for development defined for 2013/2015.

The mapping of company risks and the risk mitigation plan will be prepared by the end of the financial year.

Main characteristics of the existing Risk Management and Internal Control Systems in relation to the financial reporting process (pursuant to article 123-bis, subsection 2, point b) of the Consolidated Law on Finance)

The system of internal control over the financial reporting of the Mittel Group is an integral part of the Internal Control System.

This system aims to provide reasonable certainty of the reliability¹, accuracy, trustworthiness and timeliness of the Group's financial reporting and the capability of the process of preparing the financial statements to produce financial reporting in accordance with the generally accepted accounting standards.

Mittel is committed to promoting and maintaining an adequate internal control and risk management system, comprised of the set of instruments, organisational structures and company regulations dedicated to

safeguarding company assets, the efficiency and effectiveness of company processes, compliance with laws and regulations, as well as with the Articles of Association and company procedures.

The structure of Mittel's internal control system is an integral part of the company organisation and management structure and involves the administrative bodies, supervisory bodies, control bodies, management and all personnel, in differing roles.

These principles apply to Mittel and to the companies it directly and indirectly controls, in consideration of their importance for the purposes of drawing up financial reporting.

All subsidiaries, irrespective of their importance for the purposes of Mittel's internal control system, shall adopt the above guiding principles as a reference for designing and organising their internal control systems, in order to adjust their systems to their size and to the complexity of the business conducted.

In line with the provisions of law, the Manager responsible for preparing the Company's financial reports is responsible for the internal control system in relation to financial reporting. To this end, he sets up the administrative and accounting procedures for the formation of the periodic accounting documentation and any other financial disclosure, certifying - through a specific report in the separate financial statements, the interim financial statements and the consolidated financial statements - the adequacy and effective application thereof during the periods said accounting documents refer to.

(1) Reliability (of the disclosure): the disclosure is correct and complies with the generally accepted accounting standards and meets the applicable requirements of law and regulations.

Description of the main characteristics of the existing Risk Management and Internal Control Systems in relation to the financial reporting process.

The Board of Directors is responsible for the internal control system as a whole, establishes its guidelines and periodically assesses its adequacy and effective operation.

The purpose and priority of Mittel's Internal Control System is to govern the company by identifying, assessing, monitoring, measuring and mitigating/managing all business risks, in line with the level of risks selected/accepted by the top management.

In summary, Mittel's internal control system can be represented by the following set of elements:

- company operations subject to control;
- business risk assessment process;
- IT system;
- control activities;
- monitoring of controls

Company operations subject to control

These are the results of all operations that derive from the top management's sensitivity in defining the control instruments. In this specific case, these are:

- a system for identifying and formalising roles, duties and responsibilities

- o delegations of powers;
- o internal procedures and internal regulations;
- o functional charts;
- o separation of functions.
- identification of an internal system for transmitting necessary information
 - o reports and information flows prepared by the operational structures for the Management and Control Bodies;
- ongoing assessment of the consistency of the controls identified with the company strategies and objectives. To guarantee the adequacy and effective operation of the internal control system, the Board of Directors directly and/or indirectly takes advantage of the work carried out by:
 - The Control and Risks Committee
 - The Group Risk Management Committee
 - The Related Party Transactions Committee
 - The Remuneration and Appointments Committee
 - Internal Audit
 - as well as an Executive Director in charge of the operation of the internal control system
 - (function assigned to the Chief Executive Officer of the Parent Company)

- **Business risk assessment process**

This is a continuous process of identifying, measuring, monitoring and mitigating those endogenous and exogenous factors which could prejudice the achievement of company objectives. This process is based on the systemic:

- identification, monitoring and analysis of the activities performed by the Group Risk Committee;
- Auditing of the Manager responsible for preparing the Company's financial reports (provisions set forth by Law 262 of 28 December 2005, which governed the provisions of article 154-*bis* of the Consolidated Law on Finance).

The Manager is responsible for:

- developing and preparing a procedural document in managing compliance with the requirements pursuant to article 154-*bis* of the Consolidated Law on Finance, which identified:
 - the roles and functions involved;
 - the phases of the existing risk management and internal control systems in relation to the financial reporting process. The phases are broken down as follows:
 - Identification of financial reporting risks;
 - Assessment of financial reporting risks;
 - Identification of controls for the risks identified;

- Assessment of controls for the risks identified.
- drawing up a summary document representing the work carried out to support the certification of the Annual Report of Mittel and the Group.

The Risk Assessment process is focused on identifying the organisational entities, processes and specific activities which could generate the risk of unintentional errors or fraud which could have significant impacts on the financial statements. Specifically, the organisational entities which are to be controlled are identified based on the contribution of the various entities to specific items of the consolidated financial statements, as well as based on considerations of the significance for specific processes and risks.

Within the companies important for the control system, the significant processes are then identified based on an analysis of quantitative factors (processes that contribute to forming financial statement items in amounts that exceed a specific percentage of profits before tax) and qualitative factors (for example: complexity of accounting treatment of the account; innovations or significant changes in the business conditions).

The risks of important processes and activities are then identified. These are potential events which, if occurring, could compromise the achievement of the control objectives concerning financial reporting (for example, the assertions in the financial statements).

The potential impact and probability of occurrence of the risks thus identified are then assessed, based on quantitative and qualitative parameters and assuming the absence of control (inherent assessment).

- **IT System**

The total activities of verification and assessment of the effectiveness of the IT structure and all systems comprising it ensure the integrity and completeness of the data and information required to ensure the management and control of all company processes and operations.

The IT structure is periodically tested by an external auditor and the Internal Audit department.

- **Control activities**

Mittel's internal control system is a process structured and implemented by the parties in charge of governance, management and the functions specifically identified for the purpose of providing reasonable certainty of the achievement of the objectives, with regard to the reliability of economic-financial reporting, the efficiency and effectiveness of management and compliance with laws and regulations.

In this regard, the relationships and activities conducted by the various Bodies operating in Mittel, such as: the Board of Statutory Auditors, the Supervisory Body, the Control and Risks Committee, the Manager responsible for preparing the Company's financial reports, the Group Risk Committee, the Related Party Committee, the Independent Auditors and the Internal Control department are all key components of the internal control system.

Internal and external financial disclosures are defined by specific procedures.

- **Monitoring of controls**

All of the staff in charge (risk owners, risk management functions and top management) continuously oversee the internal control system and take action to identify and implement the improvement measures needed to resolve problems detected, ensuring that the Internal Control System is maintained, updated and improved.

The components of the internal control system identified are interrelated. The internal control system is a complex process.

Control and reporting to the top management is ensured:

- directly by operational personnel, responsible for frequently checking the effectiveness of the management systems and their internal control components to ensure that internal control remains effective;
- by the procedures for running the individual Control Committees set up, which involve the participation of the Internal Audit Manager and at least one of the members of the individual Control Committees, providing transversal reporting;
- by the Internal Audit department, based on the Audit Plan approved by the Board of Directors, which carries out monitoring activities which include the assessment of procedural, operational, administrative and accounting impacts. The results of the audit activities and the monitoring conducted are systematically notified to the parties in charge of the process and the sector (risk owners), in addition to the top management and the control bodies: the Board of Statutory Auditors, Control and Risks Committee and Supervisory Body, for the assessments assigned;
- by the Control and Risks Committee, which assists the Board of Directors in charge of assessing the adequacy, effectiveness and effective operation of the Internal Control System.

11.1. Executive Director in charge of the internal control and risk management system

In addition to the position of Chief Executive Officer, Mr. Arnaldo Borghesi also carries out the function of Executive Director in charge of the internal control and risk management system. Specifically, in carrying out this role:

- he oversaw the identification of the main company risks, taking account of the characteristics of the operations carried out by the Issuer and its subsidiaries, and periodically submitted these to the Board's examination;
- he executed the strategies defined by the Board, designing, overseeing the design, implementation and management of the Internal Control and risk management system, constantly verifying its overall adequacy and effectiveness;
- he took care of adapting that system to the dynamics of the operating conditions and the legal and regulatory framework.

Furthermore, its functions include the following, which were not performed during the Financial Year in question as the conditions did not arise: (i) reporting to the Control and Risks Committee or the Board of Directors on problems and critical issues arising in conducting its activities and which it was informed of, and (ii) requesting that the Internal Audit Department conduct audits on specific operational areas and on compliance with internal rules and procedures in the execution of company operations.

11.2. Internal Audit Manager

The Internal Audit Department – assigned to Fabrizio Carminati – was established in 2000, outlining its objectives and procedures for implementation, and informing the Board of Directors of its regulation.

Since that date, therefore, the Company has set up an internal control department that hierarchically reports to the Board of Directors.

The internal control department operates within the Parent Company and in relation to the main subsidiaries. It verifies the operations and suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors. It draws up periodic reports – or reports on highly important events - containing suitable information on its activities, the procedures used for risk management, and compliance with the plans defined for reducing risks. The periodic reports provide an assessment of the suitability of the internal control and risk management system, and are sent to the Chairmen of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors as well as the Executive Director in charge of the internal control and risk management system. As part of the audit plan, it also verifies the reliability of the reporting systems, including the accounting entry system.

The remuneration of the head of the department is assigned by the Board of Directors to the Remuneration and Appointments Committee.

The Internal Audit Manager holds systematic meetings with the Board of Statutory Auditors and the Independent Auditors and participates in all meetings of the Control and Risks Committee and the Group Risk Management Committee.

Specific financial resources were not allocated to the department manager. The activities performed by the Internal Audit Department during the Financial Year are shown in the audit plan submitted to the Board of Directors meeting of 10 January 2013.

The Internal Audit Manager – Mr. Fabrizio Carminati – is also a member of the Supervisory Body envisaged by the Organisational Model pursuant to Legislative Decree 231/01 (see paragraph 11.3).

11.3 Organisational Model pursuant to Legislative Decree 231/2001

In 2009, the Company launched its “Law 231 Project”, for the purpose of defining its organisational model pursuant to Legislative Decree 231/2001 concerning the administrative liability of entities for crimes committed by parties in top positions and parties subject to their management or supervision.

The activities carried out resulted in the definition of an “Organisation and Control Model (Model pursuant to Law 231)”, adopted by the Board of Directors on 25 March 2010 and subsequently updated by the Board of Directors’ Meeting of 28 May 2013 (updated version as at April 2013 - update no. 4)

Specifically, a general model was adopted for all Group companies, and a specific model for each single company.

In brief, the purpose of the organisation model and its components (Organisation, Management and Control Model, Code of Ethics, corpus of procedures and policies) is to prevent the commission of the crimes set forth in the Decree as preconditions for charging the Entity with administrative liability.

The Organisation, Management and Control Model adopted by the Issuer is composed of two sections:

- a general section which describes the purposes and principles of the model and identifies and governs its essential components;

- a special section describing the crimes sanctioned pursuant to Decree 231/2001 which could be committed as part of the Company's sensitive activities.

The Supervisory Body is in charge of overseeing the operation of and compliance with the Organisation Model pursuant to Law 231. This Body was re-elected on 3 April 2012 and is composed of an external member (Chairman of the Body: Prof. Alberto Banfi), an Independent Director who is a member of the Control and Risks Committee (Prof. Duccio Regoli) and the head of the Group's internal control department (Mr. Fabrizio Carminati).

The Supervisory Body has set up a system of coordination with the supervisory bodies appointed by subsidiaries to coordinate their respective supervisory activities. The Supervisory Body met seven times, including four joint meetings with the other bodies of the Group companies.

A summary of the Model pursuant to Law 231 and the Group Code of Ethics are available on the Company's website www.mittel.it/corporate-governance/supervisory-body.

11.4 Independent Auditors

The Independent Auditors assigned to audit the accounts are Deloitte & Touche S.p.A.

The auditing assignment was granted by the Shareholders' Meeting of 13 February 2007. It will expire on the approval of the separate financial statements as at 30 September 2015.

11.5. Manager responsible for preparing the Company's financial reports

In compliance with the provisions of article 154-*bis* of the Consolidated Law on Finance and article 9 of the Articles of Association the Board of Directors, at its meeting of 9 February 2012, having obtained the opinion of the Board of Statutory Auditors, appointed Mr. Pietro Santicoli, Chief Operating Officer, as "Manager responsible for preparing the Company's financial reports" and verified that he met the requirements of integrity and professionalism pursuant to the regulations in force.

Mr. Pietro Santicoli's office will expire on the approval of the separate financial statements as at 30 September 2014.

For the exercise of the duties assigned to the Manager responsible for preparing the Company's financial reports pursuant to law, this Manager is assigned the widest powers necessary for such purposes, with the right, for example, to: carry out inspections and controls at any time, request information from Directors, also with regard to subsidiaries, on the performance of company transactions or one specific deals; impart orders to employees of the Company as well as, on authorisation from the Board, hire and dismiss employees.

11.6 Coordination between persons involved in the internal control and risk management system

Sharing and integration of the information generated in the various areas is ensured by a structured information flow. In that sense, the Quarterly Report of the Manager responsible for preparing the Company's financial reports which covers, among other aspects, the results of the activities carried out, critical issues that arose, the action plans defined and their progress. Said Manager, along with the Chief Executive Officer, also provided the certification envisaged by subsection 5 of article 154-*bis* of the Consolidated Law on Finance.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Company approved the "**Procedures for transactions with related parties**" pursuant to and in accordance with article 2391-*bis* of the Italian Civil Code, the Consob Related Party Regulations and Consob

Communication no. DEM/10078683 of 24 September 2010, at the Board Meeting of 23 November 2010, having obtained the favourable opinion of the Independent Directors Committee of Mittel S.p.A. (appointed at the Board of Directors' meeting of 22 September 2010), drawn up pursuant to article 4, subsection 3 of the Consob Related Party Regulations. The latest version of those Procedures, amended by the Board of Directors on 13 January 2014, set out the rules to ensure transparency and substantial and procedural fairness of transactions with related parties conducted by the Company directly or through subsidiaries.

The Procedures for transactions with related parties can be viewed on the Issuer's website [www.mittel.it/corporate-governance/Related Parties/Procedures](http://www.mittel.it/corporate-governance/Related%20Parties/Procedures).

Also at the meeting of 23 November 2010, the Board of Directors appointed Chief Operating Officer, Mr. Pietro Santicoli as the "Supervisor of the Procedures", who shall have a suitable expenditure budget available as needed. In the event of necessity and/or his unavailability, Mr. Santicoli may be substituted by the General Manager Ms. Maurizia Squinzi.

There were no changes in the composition of the Related Party Transactions Committee during the Financial Year. The Committee is composed of Prof. Duccio Regoli (Independent Director), Mr. Giuseppe Pasini (Independent Director) and Ms. Maria Vittoria Bruno (Independent Director), in that order.

During the Financial Year, the Related Party Transactions Committee carried out its functions in compliance with the Procedures.

The documents concerning transactions with related parties, which are required to be published pursuant to law, are available on the Issuer's website [www.mittel.it/corporate - governance/Related Parties/Documents](http://www.mittel.it/corporate-governance/Related%20Parties/Documents).

13. APPOINTMENT OF STATUTORY AUDITORS (article 123-*bis*, subsection 2, point d) of the Consolidated Law on Finance)

The Board of Statutory Auditors is composed of three standing auditors and two alternate auditors. Statutory Auditors remain in office for three financial years. The composition of the Board of Statutory Auditors must ensure a balance of men to women in compliance with the pro-tempore applicable provisions of law and regulations in force.

The Statutory Auditors must meet the requirements set forth by the laws and regulations in force, including those relating to the limits to the number of offices held.

The Shareholders' Meeting appoints statutory auditors and determines their compensation, pursuant to law.

As regards the appointment methods, an extract from Article 26 of the Articles of Association in force at the date of this Report is shown below, as amended by the Board of Directors' Meeting of 20 September 2012:

"Minority shareholders shall elect one standing auditor and one alternate auditor. The Board of Statutory Auditors is appointed, in compliance with the pro-tempore regulations in force concerning the balance of genders, based on the procedures specified below, on the basis of lists submitted by shareholders which must list the candidates according to a sequential number.

The lists, which contain the names of one or more candidates, identified by a sequential number, indicates whether the individual single candidacy is submitted for the office of Standing Auditor or for the office of Alternate Auditor.

Lists which contain a number of candidates equal to or more than three must be composed of candidates of both genders, so that the minority gender on the list comprises at least one-third of the candidates (rounded up to the next whole number) for the office of Standing Auditor and at least one-third of the candidates (rounded up to the next whole number) for the office of Alternate Auditor.

Only shareholders which, individually or together with other shareholders, own a total of shares with voting rights representing at least 2.5% of share capital with voting rights, or representing a smaller percentage established or referred to by mandatory provisions of law or regulations shall be entitled to submit lists.

No shareholder, shareholders participating in a significant shareholders' agreement pursuant to article 122 of Legislative Decree 58/1998, the controlling entity, or subsidiaries and companies subject to joint control may submit or contribute to the submission, even through third parties or trust companies, of more than one list, nor may they vote for several lists, and each candidate may be included in only one list on pain of ineligibility. Participation and voting in breach of this prohibition shall not be attributed to any list.

The lists submitted must be filed at the company's headquarters at least 25 days before the date set forth the Shareholders' Meeting on first call, without prejudice to additional forms of publicity prescribed by pro-tempore laws and regulations in force.

The lists must be accompanied by:

- a) the information concerning the shareholders submitting the lists, indicating the percentage of the total investment held;*
- b) a declaration from shareholders other than those who hold, individually or jointly, a controlling or relative majority stake, certifying the absence of any affiliations with the latter, as required by laws and regulations in force;*
- c) comprehensive information on the personal characteristics of the candidates, as well as a declaration from the candidates certifying that they meet the requirements of law and accept their candidacy, as well as a list of any administrative and control positions they hold in other companies.*

By the deadline set forth in the applicable regulations for the Company's publication of the lists, a specific certification must be filed, issued by an enabled intermediary pursuant to law, proving ownership, at the time the list is submitted, of the number of shares necessary to submit said list.

Lists which do not comply with the above requirements shall be considered as not submitted.

The procedure for electing Statutory Auditors is as follows:

- 1. two standing auditors and one alternate auditor will be elected from list that obtained the highest number of votes in the Shareholders' Meeting, based on the sequential order in which they are listed, without prejudice to that set forth below to ensure the balance of genders in compliance with the compliance with the applicable pro-tempore provisions of law and regulations in force;*
- 2. the remaining standing auditor and one alternate auditor shall be taken, in sequential order they are listed in, from the second list which obtained the highest number of votes after the first list in the Shareholders' Meeting and, pursuant to laws and regulations in force, is in no way connected, even indirectly, with the parties who submitted or voted for the list that obtained the highest number of votes. The standing auditor shall take the office of Chairman of the Board of Statutory Auditors.*

For the purpose of the appointment of the Board of Statutory Auditors pursuant to point 2. in the above subsection, in the event of a draw between lists, the list submitted by shareholders holding the greater investment or, alternatively, the higher number of shares, shall prevail.

If, through the above procedures, the composition of the standing auditors on the Board of Statutory Auditors in compliance with the pro-tempore regulations in force concerning the balance of genders is not guaranteed, replacements shall be made, choosing candidates for the office of standing auditor from the list which obtained the highest number of votes, according to the sequential order in which the candidates are listed.

If only one list is submitted, or no lists are submitted, all candidates for the offices of Standing Auditor and Alternate Auditor indicated in the list or, respectively, those voted for by the Shareholders' Meeting shall be elected as Standing Auditors and Alternate Auditors, provided that they obtain the relative majority of votes of the Shareholders' Meeting, without prejudice to compliance with the pro-tempore regulations in force concerning the balance of genders.

If a statutory auditor no longer meets the requirements set forth by regulations and the Articles of Association, he/she shall fall from office.

In the event of replacement of a statutory auditor, the alternate auditor from the same list as the terminated auditor shall take his place.

It is understood that the minority statutory auditor shall retain the office of Chairman of the Board of Statutory Auditors and that the composition of the Board of Statutory Auditors must comply with the pro-tempore regulations in force concerning the balance of genders.

When the Shareholders' Meeting must appoint the Standing Auditors and/or Alternate Auditors required to supplement the Board of Statutory Auditors, this shall be performed in compliance with the regulations set forth for the balance of genders, as follows: when statutory auditors elected from the majority list must be replaced, they are appointed by relative majority vote without the need for lists; conversely, when statutory auditors elected from the minority list must be replaced, the Shareholders' Meeting replaces them by relative majority vote, choosing from the candidates indicated on the same list as the Statutory Auditor being replaced.

If, for any reason, applying these procedures does not permit the replacement of Statutory Auditors designated by the minority, the Shareholders' Meeting shall take a relative majority vote, in compliance with the regulations set forth on the balance of genders, based on the submission of candidates by shareholders which, individually or together with other shareholders, own total voting rights representing at least the percentage stated above in relation to the procedures for submitting lists. Nonetheless, in verifying the results of the latter vote, the votes of parties which, according to the latest results of notifications provided pursuant to regulations in force, hold, even indirectly or jointly with other shareholders participating in a significant shareholders' agreement pursuant to article 122 of Legislative Decree 58/1998, the relative majority of votes exercised in the Shareholders' Meeting, or of shareholders that control, are controlled by or subject to joint control by the same shall not be included.

The replacement procedures pursuant to the above subsections must in any event ensure compliance with the regulations in force concerning the balance of genders.”

The shareholding needed to submit the lists for the appointment of the control body established by Consob pursuant to article 144-*quater*, subsection 2 of the Issuers' Regulation (most recently, with Resolution no. 18682 of 23 October 2013) amounts to 4.5% of the share capital. However, by virtue of the provisions of the Articles of Association referred to above, the lower threshold established by the Articles of Association, i.e., 2.5% of the share capital, shall apply.

The provisions of the Issuer's Articles of Association governing the composition and appointment of the Board of Statutory Auditors are suitable to ensure compliance with the provisions of Legislative Decree no. 27 of 27 January 2010 on the implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies.

14. STATUTORY AUDITORS (article 123-bis, subsection 2, point d) of the Consolidated Law on Finance)

The Ordinary Shareholders' Meeting of 15 March 2013 requested that the following parties comprise the Board of Statutory Auditors, until the approval of the separate financial statements as at 30 September 2015:

Giovanni Brondi	Chairman
Simone Del Bianco	Standing Auditor
Maria Teresa Bernelli	Standing Auditor
Giulio Tedeschi	Alternate Auditor
Roberta Crespi	Alternate Auditor

The appointments were carried out using list voting.

The list submitted by ITALMOBILIARE S.p.A. obtained 44,710,445 votes, equal to 90.20% of the capital with voting rights, and the Standing Auditors Ms. Maria Teresa Bernelli and Mr. Simone Del Bianco, and the Alternate Auditor Mr. Giulio Tedeschi were drawn from it.

The list submitted by La Scuola S.p.A. obtained 4,856,775 votes, equal to 9.80% of the capital with voting rights, and the Chairman, Mr. Giovanni Brondi and the Alternate Auditor Ms. Roberta Crespi were drawn from it.

A brief CV of each of the members of the Board of Statutory Auditors is available on the Issuer's website, <http://www.mittel.it/corporate-governance/board-of-statutory-and-independent-auditors>

At the bottom of this Report, a list of offices of director or statutory auditor held by each Statutory Auditor in other companies listed on regulated markets, including foreign markets, in financial, banking or insurance companies or in large companies.

During the Financial Year, the Board of Statutory Auditors met 8 times. The total percentage of attendance of statutory auditors at the meetings was 97%.

In the financial year under way 2 meetings of the Board of Statutory Auditors have been held.

Minutes of the all meetings of the control body were duly recorded.

Pursuant to article 10 of the Corporate Governance Code, the Board of Statutory Auditors assessed the independence of its members, according to the application criteria set forth by the Code (save for the specifications set forth herein). The outcome of this assessment is reported in the Report of the Board of Statutory Auditors to the Shareholders' Meeting.

In assessing the independence requirements of the members of the Board of Statutory Auditors, no parameters were used other than those set forth in the Corporate Governance Code, with the exception of the non-application of criterion 3.C.1, point e), as specified below, the same as that specified concerning Directors.

Of the requirements used to assess the independence of the members of the Board of Statutory Auditors, the Board deemed that the simple fact of a Statutory Auditor's term of office exceeding nine years out of the last twelve, separate from other facts, should not in itself invalidate the Statutory Auditor's autonomy of judgement. Therefore, the Board did not apply criterion 3.C.1, point e) of the Corporate Governance Code.

Note that similar considerations are deemed applicable, where necessary, in assessing the independence of the Directors.

The Board of Statutory Auditors pays particular attention to situations where one or more Statutory Auditors hold an interest on their own behalf or on behalf of third parties. In such circumstance, the Statutory Auditor shall, if necessary, inform the other Statutory Auditors and the Chairman of the Board of Directors of the nature, terms, origin and scope of the Auditor's interest.

15. RELATIONS WITH SHAREHOLDERS

In compliance with the provisions of the Corporate Governance Code, the top management pays significant attention to relations with Shareholders and Investors. For the purpose of managing these relations, the Board of Directors' Meeting of 21 December 2010 assigned the General Manager the function of "Investor Relator" of the Company, and the Board of Directors' Meeting of 18 June 2012 assigned the operations of this function to Ms. Daniela Toscani.

Furthermore, in order to ensure timely reporting to Shareholders and Investors, corporate documents, press releases, notices and other company information of interest are published on the Company's website (www.mittel.it) by the deadlines set forth by regulations in force.

With the intent to promote the Mittel S.p.A. share with Italian and foreign institutional investors to maximise shareholder value and support liquidity for trading, during the financial year 2008/2009 Mittel S.p.A. granted Equita S.I.M. S.p.A. a mandate as Corporate Broker of the company, to carry out all preparatory activities to promote and increase the value of the Company's shares on the market. The assignment, which expired on 31 December 2012, was renewed on 1 January 2013, valid for one year.

16. SHAREHOLDERS' MEETINGS (article 123-bis, subsection 2, point c) of the Consolidated Law on Finance)

Generally, all or a fair number of Directors participate in the Shareholders' Meetings. Shareholders' Meetings also provide an opportunity for communicating to Shareholders information on the Company, in compliance with the regulations on inside information. Specifically, at the Shareholders Meetings, the Board of Directors reports on the activities carried out and planned, and ensures that Shareholders are provided with suitable disclosure of the elements necessary for them to take informed decisions in the meeting. During the financial year 2012/2013, two Shareholders' Meetings were held, on 15 March 2013 and 29 April 2013. Seven directors out of 13 and eight Directors out of 10 participated in these meetings, respectively.

During said meetings, the Board of Directors reported on the activities carried out and planned, specifically illustrating the results achieved and the strategic targets and development guidelines for the 2013-2015 period.

Even though the work of the Ordinary and Extraordinary Shareholders' Meetings of Mittel S.p.A. are governed by law and the Articles of Association, the Board deemed it important to propose that the Shareholders' Meeting set up Shareholders' Meeting Regulations. The Board approved the contents of these Regulations on 30 July 2013. The proposal to adopt Shareholders' Meeting Regulations derives from the need to set out procedures to be followed to ensure that Shareholders' Meetings are conducted in an orderly, functional manner, while guaranteeing each shareholder the right to speak in relation to the issues discussed. This proposal will be submitted to the Shareholders' Meeting called to approve the financial statements as at 30 September 2013.

As previously mentioned, the provisions of the Issuer's Articles of Association governing participation in the Shareholders' Meetings and information due to Shareholders are suitable to ensure compliance with the

provisions of Legislative Decree no. 27 of 27 January 2010 on the implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies.

Pursuant to article 14 of the Articles of Association in force, the notice of call of the Shareholders' Meeting must be published, by the deadline set forth by law, on the Company's website and through the other methods provided for by laws and regulations in force, as well as, where necessary due to mandatory provisions or decisions by the Directors, in a daily newspaper with national circulation, and may involve a third call in the event of an Extraordinary Shareholders' Meeting.

The right to participate and representation in the Shareholders' Meeting are governed by law, specifying that for participation in the Shareholders' Meeting, the Company must receive by the third trading day prior to the meeting, the notice issued by enabled intermediaries certifying the share ownership based on the evidence pertaining to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting on first call. Nonetheless, those entitled may participate and cast their votes if the notice is received by the Company after the above deadline but before the start of the Shareholders' Meeting of the specific call.

The Ordinary Shareholders' Meeting shall be held at least once a year, no later than one hundred and twenty days after the end of the financial year or, at the latest, no later than one hundred and eighty days from the same where required by specific needs, in the opinion of the Board of Directors and if legal requirements are met.

The capitalisation class did not undergo significant changes during the Financial Year. The Company's Articles of Association already sets a lower percentage of capital for submitting lists of candidates for appointing the corporate bodies than the shareholding set by Consob (most recently with Resolution no. 18682 of 23 October 2013).

17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

There are no further corporate governance practices in addition to those previously listed and illustrated in this Report.

The tables below summarise the procedures the Company uses to adopt the main recommendations of the Code:

- offices of Director and Statutory Auditor held by members of the Board of Directors and the Board of Statutory Auditors in other listed companies, in financial, banking or insurance companies or in large companies
- structure of the Board of Directors, the Remuneration and Appointments Committee and the Control and Risks Committee
- structure of the Board of Statutory Auditors.

18. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

No changes have occurred since the end of the Financial Year.

The offices of director and statutory auditor held by members of the Board of Directors and the Board of Statutory Auditors in other companies listed on Italian and foreign regulated markets, in financial, banking or insurance companies or in large companies are shown below:

Prof. Franco Dalla Sega	Member of the Supervisory Board of Intesa Sanpaolo S.p.A. Standing Auditor of RCS Media Group S.p.A.
Mr. Romain C. Zaleski	---
Mr. Arnaldo Borghesi	---
Mr. Paolo Battocchi	Chairman of Fondazione Cassa di Risparmio di Trento e Rovereto Director of Dolomiti Energia S.p.A.
Ms. Maria Vittoria Bruno	---
Mr. Giorgio Franceschi	Deputy Chairman and Chief Executive Officer of Iniziative Finanziarie Atesine S.r.l. Chief Executive Officer of ISA Istituto Atesino di Sviluppo S.p.A. Chief Executive Officer of Calisio S.p.A. Director of Banco di Brescia S.p.A. Director of C.I.S. (Compagnia Investimenti e Sviluppo) S.p.A. Director of Dolomiti Energia S.p.A.
Mr. Stefano Gianotti	Director of Banco di Brescia S.p.A. Director of Calisio S.p.A. Director of Banca Popolare di Bergamo
Mr. Giambattista Montini	Director of Banco di Brescia S.p.A.
Mr. Giuseppe Pasini	Chairman of Feralpi Holding S.p.A. Chairman and Chief Executive Officer of Feralpi Siderurgica S.p.A.
Prof. Duccio Regoli	---
Mr. Massimo Tononi	Chairman of Borsa Italiana S.p.A. Chairman of Istituto Atesino di Sviluppo S.p.A. Chairman of Prysmian S.p.A. Director of Sorin S.p.A. Director of the London Stock Exchange Group Plc
Mr. Giovanni Brondi	Chairman of the Board of Statutory Auditors of Banca Prossima S.p.A. Standing Auditor of Commerciale Siderurgica Bresciana S.p.A.
Mr. Simone del Bianco	Chairman of Mazars S.p.A.
Ms. Maria Teresa Bernelli	Chairman of the Board of Statutory Auditors of Dana Italia S.p.A. Member of the Board of Autostrade del Brennero S.p.A.
Ms. Roberta Crespi	---
Mr. Giulio Tedeschi	Chairman of the Board of Statutory Auditors of Italease Finance S.p.A. Chairman of the Board of Statutory Auditors of Bulova Italy S.p.A. Standing Auditor of Carlo Tassara S.p.A. Sole Director of Unico Sorfid S.r.l.

Table 2: Structure of the Board of Directors and Committees

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Office	Members	In office from	In office to	List (M/m) *	Executive	Non-Executive	indep. as per Civ. Code	indep. as per TUF	% investment	No. of other offices***	Control and Risks Committee		Remuneration and Appointments Committee		Executive Committee	
Chairman	Francisco Dalla Sega	26-July-12	30-Sept-14	+		X			100%	2						
Deputy Chairman	C. Romain Zaleski	27-Mar-12	30-Sept-14	M	X				89%	=				X		91%
Chief Executive Officer	Arnaldo Borghesi	27-Mar-12	30-Sept-14	M	X				100%	=				X		100%
Director	Giorgio Franceschi	27-Mar-12	30-Sept-14	M	X				100%	6				X		100%
Director	Stefano Gianotti	26-July-12	30-Sept-2014	+		X	X	X	89%	3		X			100%	
Director	Paolo Battocchi	30-July-13	30-Sept-14	**		X		X	100%	2						
Director	Giambattista Montini	26-July-12	30-Sept-14	+		X	X	X	89%	1						
Director	Pasini Giuseppe	27-Mar-12	30-Sept-14	M		X	X	X	67%	2						
Director	Duccio Regoli	27-Mar-12	30-Sept-14	M		X	X	X	67%	=	X	100%	X		100%	
Director	Massimo Tononi	27-Mar-12	30-Sept-14	M		X			89%	5	X	100%				
Director	Maria Vittoria Bruno	27-Mar-12	30-Sept-14	M		X	X	X	100%	=	X	100%				

DIRECTORS LEAVING OFFICE DURING THE SPECIFIC FINANCIAL YEAR

Director	Enrico Zobebe	27-Mar-12	23-Apr-13	M		X			67%	4						
Director	Giampiero Pesenti	27-Mar-12	29-Apr-13	M		X			29%	9		X		50%		
Director	Angelo Rovati	27-Mar-12	19-Apr-13	M		X			100%	2						
Director	Eugenio Enrico Benaglio	29-Apr-13	09-Sept-13	M		X		X	100%	=		X		100%		

Quorum required to submit lists at the time of the latest appointment: 4.5% as per Consob Resolution 18682, derogated from based on the provisions of the Articles of Association - to 2.5%

NUMBER OF MEETINGS DURING THE SPECIFIC FINANCIAL YEAR:	BoD: 9	CRC: 5	RAC: 3	EC: 11
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*In this column, M or m is indicated, depending on whether the member was elected from the list voted for by the majority (M) or the minority (m)

+ appointed during the Ordinary Shareholders' Meeting of 26 July 2012, in compliance with the Articles of Association, i.e., by resolution passed by legal majority, without list voting

** appointment carried out in compliance with the Articles of Association and the regulations on the replacement of Directors leaving office

*** in this column, the number of offices of director or statutory auditor held by the interested party in other companies listed on regulated markets, including foreign markets, in financial, banking or insurance companies or in large companies is shown. The offices are shown in full in the corporate governance report

**** in this column, an x indicates that the Board member participates in the committee.

Table 3: Structure of the Board of Statutory Auditors

STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Members	In office from	In office to	List (M/m) *	Independence as per the Code	** (%)	Number of other offices(***)
Chairman	Giovanni Brondi	15-Mar-13	30-Sept-15	m	yes	100%	2
Standing Auditor	Simone Del Bianco	15-Mar-13	30-Sept-15	M	yes	100%	1
Standing Auditor	Maria Teresa Bernelli	15-Mar-13	30-Sept-15	M	yes	100%	2
Alternate Auditor	Giulio Tedeschi	15-Mar-13	30-Sept-15	M	yes	na	4
Alternate Auditor	Roberta Crespi	15-Mar-13	30-Sept-15	m	yes	na	=

STATUTORY AUDITORS LEAVING OFFICE DURING THE SPECIFIC FINANCIAL YEAR

Standing Auditor	Flavio Pizzini	26-July-12	15-Mar-13	M	yes	100%	
Standing Auditor	Alfredo Fossati	10-Feb-10	15-Mar-13	M	yes	83%	

Quorum required to submit lists at the time of the latest appointment: 4.5% as per Consob Resolution 18682, derogated from based on the provisions of the Articles of Association - to 2.5%

NUMBER OF MEETINGS DURING THE SPECIFIC FINANCIAL YEAR: 8

NOTES

*In this column, M or m is indicated, depending on whether the member was elected from the list voted for by the majority (M) or a minority (m)

** in this column, the % participation of the Statutory Auditors in the meetings of the Board of Statutory Auditors is indicated.

*** in this column, the number of offices of director or statutory auditor held by the interested party pursuant to article 148-bis of the Consolidated Law on Finance is shown. The complete list of offices is published by Consob on its website pursuant to article 144-quinquiesdecies of the Consob Issuers' Regulation.

for the Board of Directors
The Chairman
(Prof. Franco Dalla Sega)

Version approved by the Board of Directors' Meeting of 13 January 2014