



DIRECTORS' REPORT ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS

(13TH APRIL 2016 SINGLE CALL)

Report on item 4 on the agenda and the relative resolution submitted

Measures in accordance with Art. 2364, paragraph 1, number 2), of Italian Civil Code. Relative and consequent resolutions.

To Our Shareholders,

As already reported, Avv. Carlo Pedersoli (non-executive independent director and member of the Audit and Risk Committee) handed in his resignation as a Director of the Company on 8th March 2016.

In this respect the Board of Directors which met on 8th March 2016 resolved not to take steps to replace him in accordance with Art. 2386, paragraph 1, of the Italian Civil Code, explicitly mentioned by Art. 17 of the Corporate By-Laws, in consideration of the closeness of the next Shareholders' Meeting to which it was considered best to postpone decisions concerning the appointment of a director or the reduction of the number of directors.

It will be recalled that the current Board of Directors, composed of 10 (ten) members, was appointed by a Shareholders' Meeting of 17th April 2014 and its term of office expires at the time of the approval of the 2016 Annual Report. It will also be recalled that the Corporate By-Laws of the Company (Art. 14) state that the "the Company shall be managed by a Board of Directors composed of six to sixteen members: the Meeting shall determine their number".

You are therefore invited either to elect a new director to make up the number of members of the Board of Directors of the Company set at 10 (ten), in accordance with resolution of the ordinary Shareholders' Meeting of 17th April 2014, or alternatively to resolve to reduce the number of directors from 10 (ten) to 9 (nine).

As concerns the proposal to reduce the number of Directors, the Board of Directors considered that, while the size and composition of the Board as appointed in 2014 has been considered adequate, its adequacy can nevertheless be maintained even if the members are reduced from 10 to 9, since it is composed of directors with a variety of professional expertise, five of whom meet the requirements for independence in accordance with both the 2015 Corporate Governance Code for listed companies (as applied by the Company¹) and the Consolidated Finance Act. Furthermore, two of the five independent directors are female in gender in compliance with the criteria laid down by the applicable provisions on gender balance (at least one fifth of the members must be of the least represented gender).

As concerns making up the number of the Board of Directors, it is pointed out that in this case the appointment of a director would take place without the application of list voting procedures, required by

¹ Reference is made in this respect to the Report on Corporate Governance and Ownership Structure for the year 2015 (Section 4.6).



the Corporate By-Laws only for the renewal of the entire board, and therefore by means of a majority resolution on the basis of proposals submitted by shareholders.

We report here that in any case any candidates submitted must be accompanied by the following documentation required under Art. 15 of the Corporate By-Laws:

- (i) a declaration with which the candidate accepts their candidature and states under their own responsibility that no cause for ineligibility and incompatibility exists and that they possess any specific requirements necessary for the office;
- (ii) a curriculum vitae detailing the candidate's personal and professional characteristics and indicating whether the candidate may be considered independent.

Any director elected shall remain in office until the date of the expiry of the term of office for all members of the Board of Directors and that is until the approval of the annual report for the year ending 31st December 2016.

Furthermore, in the event of an appointment, the Board of Directors submits a proposal that the remuneration set for the new director shall be the same as that for the other directors in office (€40,000).

Dear shareholders,

We therefore ask you to take all the necessary and appropriate measures in this respect.

* * * *

Milan, 8th March 2016

For the Board of Directors
the Chairman and Chief Executive Officer
Ing. Giovanni Recordati