



**CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**  
pursuant to Article 123-*bis* of the Consolidated Finance Act

Issuer: **Caltagirone Editore S.p.A.**  
Website: [www.caltagironeeditore.com](http://www.caltagironeeditore.com)

Year: **2016**  
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## GLOSSARY

**Code/2015 Self-Governance Code:** the Self-Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria.

**Civ.cod/ c.c.:** the Italian civil code.

**Board:** the Board of Directors of Caltagirone Editore S.p.A..

**Issuer:** Caltagirone Editore S.p.A.

**Year:** 2016

**Consob Issuers' Regulation:** the Regulation issued by Consob Resolution No. 11971 of 1999 (as subsequently amended).

**Consob Market Regulation:** the Market Regulation issued by Consob with resolution No. 16191 of 2007 (as subsequently amended).

**Consob Related Parties Regulation:** the Issuer Regulations following Consob Resolution No. 17721 of March 12, 2010 (as subsequently amended) in relation to related parties.

**Report:** the corporate governance and ownership structure report which the company must prepare as per Art. 123-*bis* CFA.

**Consolidated Finance Act/CFA:** Legislative Decree No. 58 of February 24, 1998 (as subsequently amended)

## **1. ISSUER PROFILE**

Caltagirone Editore S.p.A. operates as a “holding” company with investments in the publishing (daily newspapers and free press), advertising, telecommunications and internet sectors.

The present report illustrates the corporate governance adopted by the Issuer. This system is based on the needs of a holding company and is based, therefore, on the systems of controls of the activities of the companies in which it is present through the operating subsidiaries of the Issuer.

The system is therefore centred on: (i) the central role of the Board of the Issuer in strategic direction; (ii) the transparency of the operational decisions; (iii) the effectiveness of the internal control which is undertaken through the existing control structure within the individual operating units and the individual subsidiaries and the supervision of the Control and Risks Committee appointed by the Board.

## **2. INFORMATION ON OWNERSHIP STRUCTURE (Article 123-bis, paragraph 1, CFA) at 31/12/2016**

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

Subscribed and paid-in share capital of Caltagirone Editore at December 31, 2016: Euro 125,000,000.00.

Classes of shares that make up the share capital: Ordinary Shares with voting rights. (See Table 1 of the appendix)

Other financial instruments which attribute the right to subscribe to newly issued shares were not issued.

No share incentive plans have been introduced which resulted in an increase, including free, of the share capital.

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

There are no restrictions on the transfer of securities.

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

The shareholders with holdings above 3% of the share capital, as per the shareholder register, the communications received in accordance with article 120 of the CFA and the other information available are reported in Table 1 of the appendix.

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

There are no securities which confer special control rights.

No special powers have been attributed to specific roles.

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

No system of share participation has been created for employees, and therefore there is no particular mechanism for the exercise of voting rights by these latter.

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

There are no restrictions on voting rights.

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

There are no shareholding agreements between shareholders pursuant to article 122 of the Consolidated Finance Act relating to the exercise of rights of shares or the transfer thereof.

**h) Change of control clause (Article 123-bis, paragraph 1, letter h), CFA) and statutory provisions on takeovers (Article 104, paragraph 1-ter and 104-bis, paragraph 1).**

The Issuer and its subsidiaries have not signed significant agreements that are effective, or could be modified or void in the case of a change in control of the contracting company.

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

**i) Power to increase the Share Capital and purchase treasury shares (Article 123-bis, paragraph 1, letter m), CFA)**

The Board does not have the power to increase the Share Capital or to issue financial instruments.

The Shareholders' Meeting of April 19, 2016, following revocation of the resolution of April 22, 2015, authorised the Board of Directors to purchase and sell ordinary Company shares, in accordance with Article 2357 of the Civil Code, with the faculty to create the so-called "Securities Reserve" to be used for operations of interest to the Company, in compliance with that established by the applicable regulation. The authorisation granted by the Shareholders' Meeting establishes that the purchase of ordinary Company shares, taking account of treasury shares already held, is not greater than 3% of the share capital and therefore 3,750,000 shares with a further restriction that the amount of shares to be purchased does not exceed Euro 5,000,000.

The authorisation for purchase operations has a duration of 18 months from the resolution date, while the authorisation to utilise treasury shares acquired is without time limit.

In execution of the Shareholders' Meeting authorisation for the purchase of treasury shares, the Board of Directors of the Company introduced the relative treasury share buy-back program on the MTA segment of Borsa Italiana S.p.A., acquiring in 2016 281,792 shares, equal to 0.22543% of the share capital.

At December 31, 2016, the Company held a total of 2,145,731 treasury shares in portfolio (equal to 1.71658%).

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

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

**m) Director indemnity in the case of dismissal without just cause (Article 123-bis, paragraph 1, letter i) of the CFA)**

The information required by Article 123-bis, paragraph 1, letter i) of the CFA relating to agreements between the Company and Directors which provide indemnity in the case of dismissal without just cause or following a public purchase offer is illustrated in the Remuneration of Directors section (published pursuant to Section 123-ter of the CFA).

**n) Appointment and replacement of Directors (as per article 123-bis, paragraph 1, letter l), CFA)**

The information required by Article 123-bis, paragraph 1, letter l) CFA relating to the applicable regulations concerning the appointment and replacement of directors, in addition to the amendment of the by-laws if differing from applicable law and regulations is illustrated in the Board of Directors section (Section 4.1).

**3. COMPLIANCE (as per Article 123-bis, paragraph 2, letter a), CFA)**

The issuer has not formally adopted the Self-Governance Code of Listed Companies drawn up by the Corporate Governance Committee and Borsa Italiana S.p.A., considering its role as merely a holding company and its basic structure for the management of holdings.

The Issuer, nor its strategic subsidiaries, are subject to laws in force outside Italy which affect the corporate governance structures of the Issuer.

## **4. BOARD OF DIRECTORS**

### **4.1. APPOINTMENT AND REPLACEMENT (ex Article 123-bis, paragraph 1, letter l), CFA)**

The Directors are appointed by the Shareholders' Meeting on the direct proposal of the Shareholders based on the provisions of the By-Laws and legislation in force. The appointment of the Directors is made through the voting of slates of candidates, which are listed by progressive numbering. The slates indicate the candidates who are independent in accordance with the law, contain the legally required number of independent directors and are presented together with the curriculum vitae of the candidates which illustrate their professional and personal characteristics and their acceptance of the candidature. Each slate cannot contain more than fifteen candidates.

Slates presenting a number of candidates equal to or above three must include a number of candidates from the under-represented gender which ensures compliance with the applicable legal and regulatory gender quota.

The slates of candidates must be filed at the registered offices of the company and made available in accordance with the provisions required by law.

A 2% holding in the share capital is necessary to present a slate - or any lower threshold established by Consob in accordance with Article 144-*quater* of the Issuers' Regulations.

For the inclusion of the Directors to be elected, consideration is not taken of the slates which have not obtained at least half of the votes for the presentation of the slate. The first candidate on the minority slate which obtains the largest number of votes and which is not related in any manner, even indirectly, with the slate which has the highest number of votes, is elected Director; the other members of the Board of Directors are taken in a progressive order from the slate which obtained the highest number of votes. Where the result of voting does not satisfy the applicable gender equality laws and regulations, the first listed candidate belonging to the under-represented gender replaces the last selected member on the slate which has received the highest number of votes. Where the gender balance quota has not been met through this method, the Shareholders' Meeting votes by statutory majority. In the event of the presentation of only one slate or in the case where only one slate receives votes, all the candidates will be taken from the same slate, providing the gender equality minimum thresholds required by the applicable regulations and law have been met. For the appointment of Directors other than the renewal of the entire Board of Directors, the shareholders' meeting deliberates with statutory majority and without taking into consideration the procedures outlined above, while ensuring gender balance.

Should one or more vacancies occur on the Board, they shall be filled in accordance with article 2386 of the Civil Code, while ensuring gender balance.

### **4.2. COMPOSITION (as per Article 123-bis, paragraph 2, letter d), CFA)**

Pursuant to Article 14 of the Company By-Laws, the Issuer may be governed by a Board composed of between 3 and 15 members, appointed by the ordinary Shareholders' Meeting, which determines the number of board members. The Directors are elected for a period not greater than three years and until the date of the Shareholders' Meeting for the approval of the Annual Accounts for the last year of their appointment.

The Shareholders' Meeting of April 22, 2015 established the number of Board members as 10 and appointed as Directors, with the favourable vote of 100.00% of the share capital present, based on a single slate presented by the shareholder Parted 1982 SpA, holder of 44,454,550 shares, comprising 35.564% of the share capital: Francesco Gaetano Caltagirone, Gaetano Caltagirone, Alessandro Caltagirone, Azzurra Caltagirone, Francesco Caltagirone, Tatiana Caltagirone, Massimo Confortini, Mario Delfini, Albino Majore and Giampietro Nattino.

The Directors will remain in office until the Shareholders' Meeting that will be called to approve the financial statements for the year ended December 31, 2017.

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For the personal and professional characteristics of each Director, reference should be made to the curriculum vitae available, together with the above-mentioned slate, on the Company website ([www.caltagironeeditore.com](http://www.caltagironeeditore.com)) in the Investor Relations/ Corporate Governance/2015 Shareholders' Meeting section "Slate of candidates for the appointment of the Board of Directors and Board of Statutory Auditors".

On May 21, 2016, the Director Gaetano Caltagirone passed away and his replacement has not yet been undertaken.

The company is currently governed by a Board of Directors comprising 9 members.

For the composition of the Board at December 31, 2016, reference should be made to Table 2 as no changes have been made since that date.

#### **Maximum number of offices held in other companies**

The Board of the Issuer has not drawn up strict and general criteria regarding the maximum number of appointments in other companies that can be considered compatible with an effective conduct of the role of director, considering that this evaluation is that of the Shareholders and subsequently of the individual directors on accepting the office.

### **4.3. ROLE OF THE BOARD OF DIRECTORS (as per Article 123-bis, paragraph 2, letter d), CFA)**

The Board of Directors normally meet at least four times per year, however the Board is convened whenever necessary and in a timely manner.

In 2016, the Board of Directors held 4 meetings in the year, at which the Directors and the Board of Statutory Auditors attended regularly.

The average duration of the Board meetings in 2016 was one hour and twenty minutes.

For the current year five meetings are planned. In 2017, the Board of Directors met on January 25 and March 8, 2017.

It is noted that the by-laws do not specify a minimum number of meetings for the Board of Directors.

Article 19 of the By-Laws confers to the Board of Directors the widest powers of ordinary and extraordinary administration of the Company and it may therefore carry out any and all acts it deems appropriate for attaining the corporate objectives, with the sole exclusion of those attributed by law or the By-Laws to the Shareholders' Meeting.

The Board of Directors may also pass resolutions in relation to: the incorporation or spin-off of the company, in cases in accordance with law; the opening and closing of secondary offices; the appointment of directors as company representatives; the reduction of the share capital in the case of withdrawal of the shareholders; the transfer of the registered office within the national territory, the amendment of the By-Laws in accordance with law.

The Board of Directors are responsible for operational activities and organisational and strategic direction, as well as the verification of the existence of the necessary controls to monitor the performance of the Issuer and the Group. The Board meets on a regular basis and is organised and operates in a manner which guarantees an effective and efficient performance of its functions.

Based on the powers conferred by the By-Laws, the Board:

- a) examines and approves the corporate governance system of the Issuer and the structure of the Group;
- b) evaluates, through the Control and Risks Committee, the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the internal control system and to the management of conflicts of interest;
- c) attributes and revokes powers to directors, defining the limits and procedures of exercise;
- d) determines the remuneration of the executive directors and of the other directors holding specific positions;
- e) evaluates the general performance of operations, taking into account, in particular, the information received from executive bodies;
- f) examines and approves the Issuers operations prior to being carried out, when these operations have a significant strategic, economic, or financial importance for the Issuer, paying particular attention to the situations in which one or more Directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties.



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Any exemptions from anti-competition agreements are authorised by the Shareholders' Meeting as established by Article 2390 of the civil code.

The executive responsible for the preparation of accounting documents from time to time attends the meetings of the Board of Directors', where the Meeting Agenda contains matters relevant to his/her scope of activity.

The meetings of the Board of Directors' are normally called with 5 days' notice, with the documentation concerning the meeting sent to the Directors in electronic form duly in advance.

#### **4.4. EXECUTIVE BODIES**

##### **Chairman and Vice Chairmen**

The Board on April 29, 2015 appointed Francesco Gaetano Caltagirone as Chairman and Directors Gaetano Caltagirone (deceased on May 21, 2016) and Azzurra Caltagirone as Vice Chairmen.

The Chairman of the Board is also, through direct and indirect holdings, the majority shareholder of the Company.

The Chairman of the Board and, in his absence or impediment the Vice Chairman, with single signature, in the same meeting, were conferred the widest powers by the Board and valid until the Shareholders' Meeting that approves the 2017 Annual Accounts, to be exercised in Italy and Abroad (with the right to delegate) to undertake solely all acts of ordinary and extraordinary administration of the Issuer, with the sole exception of those tacitly reserved by law or by the company By-Laws, to the Shareholders' Meeting and to the Board of Directors.

The Chairman of the board or the person substituting him is the legal representative of the Issuer in legal matters against third parties.

##### **Reporting to the Board**

As there are no operational delegated powers, the corporate activities are reported directly by the Chairman on the occasion of each Board meeting.

#### **4.5. OTHER EXECUTIVE DIRECTORS**

The Executive Directors are:

- The Director, Mario Delfini who was delegated administrative powers in particular relating to fiscal compliance and as Chairman of the company "Leggo S.p.A." and Sole Director of Finced S.r.l.;
- The Director, Albino Majore as Chairman of the company "PIEMME S.p.A.", Chairman of the company "Il Mattino S.p.A." and Vice Chairman of the company "Il Gazzettino S.p.A.";

In the Board of Directors' meetings, the Directors are constantly updated on the business activities, also in relation to regulatory provisions, so that they may correctly undertake their role.

#### **4.6. INDEPENDENT DIRECTORS**

The Board of Directors of the Company in office has two independent members:

- Massimo Confortini;
- Giampietro Nattino.

persons that do not have, or recently had, even indirectly, with the Company or with parties related to the Company, relationships such as to affect their independent judgment.

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The existence and the maintenance of the independence requisites are verified in the first meeting following appointment and annually by the Board of Directors and the Board of Statutory Auditors on the basis on the declarations made by the Directors.

The Independent Directors met once during the year in the absence of the other directors.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

The Board did not consider it necessary to appoint a lead independent director as all the operational decisions, even if contained in the powers of the Chairman and Vice Chairman, are taken together with the contribution of the independent Directors.

#### **5. HANDLING OF CORPORATE INFORMATION**

The Board of Directors, in compliance with article 114 of the CFA, adopted a new code of conduct to govern the disclosure obligations in relation to internal dealing, in accordance with the provisions of articles 152 and thereafter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments.

This Code, in force since April 1, 2006, was updated as per the new market abuse regulations and governs the disclosure obligations and conduct that the “relevant persons” must respect in relation to Consob and the Company; they must therefore communicate to the market, in accordance with the terms and conditions established by the above-mentioned Consob Regulation No. 11971/999, the operations on listed financial instruments or other related financial instruments, issued by the Company or its subsidiaries. The Company maintains a register of persons having access to confidential information in compliance with article 115-bis of the CFA as per articles 152-bis and thereafter of the aforementioned Consob Regulation No. 11971/99.

The procedure concerning the “Management of information, with particular reference to insider information” it “been updated on the basis of the new market abuse regulation.

#### **6. INTERNAL COMMITTEES TO THE BOARD (as per Article 123-bis, paragraph 2, letter d) CFA)**

On April 29, 2015, the Board of Directors renewed the Committee for transactions with related parties as required by the Consob Regulation, comprising exclusively of independent directors in accordance with the Consolidated Finance Act. The Committee comprises the directors Mr. M. Confortini and Mr. G. Nattino. Mr. Massimo Confortini was appointed the Chairman of the Committee.

#### **7. APPOINTMENTS COMMITTEE**

The Directors are appointed pursuant to Article 14 of the Company By-Laws based on slates presented by the Shareholders, in accordance with Article 147-ter of the Consolidated Finance Act. In view of this, and in consideration of the fact that the “voting by slates guarantees the Shareholders the representation of the minority shareholders on the Board and that shareholders’ meetings have never encountered difficulties in the appointment of Directors, and considering that their creation is optional according to the Self-Governance Code of listed companies, the Board did not consider it necessary to create an appointments committee.

#### **8. REMUNERATION COMMITTEE**

The information in the present section is contained in the remuneration report of the Directors published in accordance with Article 123-ter of the CFA to which reference should be made.

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## 9. REMUNERATION OF DIRECTORS

The information in the present section is contained in the remuneration report of the Directors published in accordance with Article 123-ter of the CFA to which reference should be made.

## 10. CONTROL AND RISKS COMMITTEE

The Board set up the Control and Risks Committee.

The members of the Committee were re-elected by the Board meeting of April 29, 2015 and remain in office for the same period as the Board. The Directors appointed to the Internal Control Committee were:

- Mr. Massimo Confortini - Chairman
- Mr. Mario Delfini
- Mr. Albino Majore
- Mr. Giampietro Nattino

The Control and Risks Committee of the Company is composed of Executive Directors (2) and Non-executive and independent directors (2).

The Board, on the appointment of the members of the Committee, considered the Directors Delfini, Nattino and Confortini to have the appropriate accounting and financial expertise to carry out the role.

During the year 2016 the Committee met once.

The Board of Statutory Auditors also attended the Committee meeting.

### Duties attributed to the committee

The Control and Risks Committee carries out the following advisory activities to the Board of Directors:

- a) assists the Board of Directors in defining the guidelines of the internal control system;
- b) expresses its opinions on specific aspects inherent in the identification of the main corporate risks as well as the design, implementation and management of the internal control system;
- c) provides, where required by the relative procedures, an opinion to the Board of Directors in relation to pre-established operations.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor attended the meetings of the Committee, in line with application Criterion 7.C0.3 of the Self-Governance Code.

Minutes of the Committee meetings were maintained. The minutes are maintained in a specific register in the administrative office of the Company.

The Control and Risks Committee has access, including through the Internal Control Manager, to all information and departments necessary for the undertaking of their duties. The Board did not define the terms and limits in which the Committee may utilise external consultants, considering that the Committee may from time to time freely request, based on the matters on hand, the necessary information and advice from external consultants.

## 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system, as established by the Self-Governance Code for listed companies, is the overall rules, procedures and organisational structures which enable, through an adequate process of identification, measurement, management and monitoring of the principal risks, a safe, correct and coherent management of the enterprise with its set objectives.

In relation to the principal characteristics of the Risk and Internal Control Management System in relation to financial disclosure, also consolidated, reference should be made to Attachment 2.

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### **11.1. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Board of Directors, given the Holding structure of the Company and given the internal control structure principally undertaken by the individual operating units or the subsidiary companies, did not consider it necessary to appoint an executive director to overview the functioning of the internal control and risk management system.

### **11.2. INTERNAL CONTROL MANAGER**

The Board of Directors of the Company on April 29, 2015 appointed the Internal Control Manager Mr. Fabrizio Caprara.

The Internal Control Manager is an internal member of the organisational structure.

The Internal Control Manager has direct access to all information necessary for the undertaking of his duties and reports to the Internal Control Committee.

The Board of Directors, given the Holding structure of the Company and given the control structure principally undertaken by the individual operating units and subsidiary companies, did not consider it necessary to create an internal auditing function.

### **11.3. ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001**

The Issuer, given its nature as a simple holding company and its organisational structure, considers that the risks deriving from actions of parties which undertake representation, administration and direction functions are extremely reduced and therefore at this point has not adopted the Organisation Model pursuant to Legislative Decree 231/2001.

### **11.4. INDEPENDENT AUDIT FIRM**

The Shareholders' Meeting of April 26, 2012, on the proposal of the Board of Statutory Auditors, awarded the audit of accounts for the nine year period 2012-2020 to PriceWaterhouseCoopers S.p.A., which undertook also the role of principal auditor of the Caltagirone Editore Group.

### **11.5. EXECUTIVE OFFICER FOR FINANCIAL REPORTING**

The Board of Directors' meeting of March 11, 2016, appointed for one year the Executive Officer for Financial Reporting as Mr. Fabrizio Caprara, in possession of all the professional requisites required by law and by the company By-Laws.

An engagement letter provides a detailed list of the powers and duties conferred to the Executive Responsible in order for a diligent undertaking of the role.

The Executive Responsible for Financial Reporting:

- has a position of an adequate level which guarantees the autonomy and independence necessary to undertake the role;
- has free access to all information, both within the company and within the companies of the Group;
- may participate at any meetings of the Board of Directors concerning matters relating to the activities and responsibilities of the Executive;
- may undertake dialogue with all members of the board of directors;
- may approve the organisational procedures when these have an impact on the statutory and consolidated financial statements and on documents which must be certified;
- may participate at the definition and organisation of the IT system which have an impact on the economic, equity and financial situation;

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- may undertake controls on any procedure or process which have an impact on the economic, equity and financial situation;
  - may propose structural changes to the components of the internal control system considered inadequate;
  - may report to the Board of Directors any procedures and processes considered adequate and suggest any countermeasures to adopt and incur any necessary expenses in the undertaking of the role;
  - may implement an adequate structure in the area of activity assigned, utilising the resources available and, where necessary, requesting the implementation of these resources;
  - may utilise, in the undertaking of its duties, IT and management control systems;

#### **11.6. COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM**

The coordination of the various parties involved in the Internal Control and Risk Management System of Caltagirone Editore S.p.A. (the Board of Directors, the Board of Statutory Auditors, the Control and Risks Committee, the Internal Control Manager and the Executive responsible for the preparation of corporate accounting documents) was ensured by the adoption of processes which minimize the risk of potential duplication of requests from the same bodies, establishing therefore a rational and efficient control system.

#### **12. DIRECTORS INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

The Board of Directors on March 8, 2017 approved - with approval also of the Committee for transactions with related parties - the update to the procedure relating to transactions with Related Parties in accordance with the Consob Regulation adopted with resolution No. 17221 of March 12, 2010.

The procedure, as required by the Consob Regulation, was drawn up attributing a greater or lesser responsibility to the role of the independent directors based on their relevant decision making powers and the significance of the transaction and providing adequate levels of disclosure and documentation in order to ensure the transparency and the material and procedural correctness of transactions with related parties. The procedure is published on the website of the company [www.caltagironeeditore.com](http://www.caltagironeeditore.com) in the Investor Relations/Corporate Governance section.

#### **13. APPOINTMENT OF STATUTORY AUDITORS**

Article 22 of the By-Laws provides that the Board of Statutory Auditors consists of a Chairman, two standing auditors and two alternate auditors. The Board of Statutory Auditors exercises all the functions required by law and by the company By-Laws. The duration of the appointment is in accordance with law; the statutory auditors may be re-elected.

Article 22 of the By-Laws is in line with the gender balance regulation in accordance with Law No. 120 of July 12, 2011.

The statutory auditors qualify as independent and possess the professional and honourable competencies prescribed by law. Persons who already cover the role of statutory auditor in more than five other listed companies, excluding the direct or indirect subsidiaries of the company or controlled by the same parent company that controls the Company, may not be elected nor can persons who do not have the requisites of honourability and professionalism as required by the relevant regulations, as well as incompatibility by law.

The Board of Statutory Auditors are elected by the Shareholders' Meeting on the basis of slates presented by shareholders that hold at least 2% of the share capital, or if lower any other threshold established by Consob in accordance with current regulations.

The slates must be filed at the registered office and made available to the public in accordance with the applicable regulation. The persons presenting the slates must file, together with the slate, the declaration certifying the number of shares necessary for the presentation of the slate.

Each shareholder, as well as shareholders belonging to the same group (meaning holding companies, including individuals, as per article 2359 of the civil code and its subsidiaries), who adhere to a shareholder pact in accordance with article 122 of the Legislative Decree 24.2.1998 No. 58, cannot present, directly, by interposed persons, or through trust companies, more than one slate. Violation of this regulation will result in the application of paragraph 12 of the same article 22 for all of the slates presented independent of the order of the slates presented.

In the event where at the end of the period for the presentation of the slates only one slate has been presented, or only slates presented by shareholders belonging to the same group or belonging to a shareholder agreement, slates may be presented up to the third day after this date, provided that the notices are made in accordance with current regulations.

In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The slates must be provided with the information relating to the shareholders presenting the slates, with an indication of the total percentage shareholding held, of the Curriculum Vitae of each person on the slate as well as a declaration by the candidate, under their own responsibility, that they possess the requisites required by law and the acceptance of their candidature.

The written acceptance of the candidature and the declaration of the inexistence of ineligibility must be filed together with the slate.

The slates for the election of the members of the Board of Statutory Auditors must include the names of one or more candidates, not above the number of statutory auditors to be elected, indicated by progressive order; the slates can be divided into two sections, each with a maximum of three candidates (progressive numbering) for the office of standing auditor and alternate auditor. Each slate for the appointment of standing auditors and alternate auditors must contain a number of candidates belonging to the under-represented gender which ensures, within the slate itself, compliance with the gender balance quota established by applicable laws and regulations.

No shareholder may present or vote, even as proxy, on more than one slate and each candidate shall be presented on only one slate, at the risk of ineligibility.

The first two candidates of the slate which obtains the largest number of votes are elected as standing auditors (“the Majority Slate”) and the first candidate of the slate presented and voted by the shareholders which are not related, even indirectly, to the majority shareholders, which is second in terms of number of votes (the “Minority Slate”), is elected Chairman of the Board of Statutory Auditors.

Also elected are:

- one alternate auditor among the candidates indicated in the section “Alternate Auditors” of the Majority Slate in progressive order;
- one alternate auditor among the candidates indicated in the section “Alternate Auditors” of the Minority Slate in progressive order.

Where the result of voting does not satisfy the applicable gender balance laws and regulations, the first listed candidate belonging to the under-represented gender replaces the last selected member on the slate which has received the highest number of votes. Where the gender balance quota has not been met through this method, the Shareholders’ Meeting votes by statutory majority.

Should two slates receive the same number of votes, a second vote of the entire Shareholders’ Meeting will decide between them.

In the event of the presentation of only one slate or in the case where only one slate receives votes, all the candidates will be taken from the same slate, providing the gender balance quota under the applicable laws and regulations has been met.

Where it is not possible to proceed with the appointment of one or more Statutory Auditor through the voting of slates, the Shareholders’ Meeting will resolve through statutory majority, ensuring the minimum gender quota established under the applicable law and regulations has been met. In the case of the substitution of a Standing Auditor, an Alternate Auditor is taken from the same slate as the auditor leaving office, ensuring the minimum gender quota established under the applicable law and regulations is met.

As regards the rules for appointing any standing or alternate Auditors needed to make up vacancies on the Board of Statutory Auditors these shall be decided by resolutions of the Shareholders’ Meeting, adopted by statutory majority, ensuring the minimum gender quota established under the applicable law and regulations has been met.

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#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (as per Article 123-bis, paragraph 2, letter d) CFA)**

The Board of Statutory Auditors in office were appointed by the Shareholders' Meeting of April 22, 2015 with a favourable vote of 100.00% of the share capital present, based on a single slate presented by the Shareholder Parted 1982 S.p.A., owner of 44,454,595 shares corresponding to 35.564% of the share capital and which will remain in office until the approval of the financial statements at December 31, 2017.

The following were elected: Mr. Antonio Staffa, Chairman, Ms. Maria Assunta Coluccia, Statutory Auditor, Mr. Federico Malorni Statutory Auditor, Mr. Vincenzo Sportelli Alternate Auditor, Ms. Patrizia Amoretti Alternate Auditor.

For the personal and professional characteristics of each Statutory Auditor, reference should be made to the curriculum vitae available on the Company website [www.caltagironeeditore.com](http://www.caltagironeeditore.com), in the Investor Relations / Shareholders' Meeting section.

During the year, the Board of Statutory Auditors met 6 times. The meetings had an average duration of 1 hour. 4 meetings are scheduled for 2017.

The Board of Statutory Auditors evaluated the independence of its members.

There are no specific obligations of the statutory auditors where they have interests on their own behalf or of third parties. Before the approval of each resolution, the Board requests its members to declare whether they hold any interests in the operations being resolved upon.

In 2016 the Board of Statutory Auditors evaluated the independence of the audit firm and verified compliance with regulations and of the nature and size of any services provided to the Company.

In carrying out its activities, the Board of Statutory Auditors coordinated, through informal contacts, with the administration department and with the Control & Risks Committee.

For the composition of the Board at December 31, 2016, reference should be made to Table 3 as no changes have been made since that date.

#### **15. RELATIONS WITH SHAREHOLDERS**

The Company has created a section on its website [www.caltagironeeditore.com](http://www.caltagironeeditore.com) to provide significant information to the shareholders, in order to ensure that these latter can exercise their rights in a knowledgeable manner.

An Investor Relations Department was also set up and a communication department is also in place.

The Company appointed ESSECIEFFE INVESTMENT Srl as Investor Relations Manager in the person of its Chief Executive Officer Remo Marchelli.

#### **16. SHAREHOLDER MEETINGS (as per Article 123-bis, paragraph 2, letter c), CFA)**

Article 9 of the By-Laws, as per Article 2369 of the Civil Code, paragraph 2 establishes that: "Subsequent meetings may be called where the quorums established by applicable regulations for each of the previous meetings have not been met".

The By-Laws establish that attendance at the Shareholders' Meeting and the right to vote is governed by the relevant regulation.

Each shareholder with voting rights and who has the right to attend the shareholders' meeting can be represented by written proxy in accordance with current regulations.

No specific constituting and motion adopting quorums are in place and for which regulatory provisions are observed.

The Company, for the present moment, does not consider it necessary to implement regulations for the shareholders' meetings, given the good and correct functioning of these meetings in the past.

The Chairman of the Shareholders' Meeting verifies the right to attend of each shareholder (and also proxies) and ascertains whether the meeting is validly constituted by the presence of the necessary quorum. The Chairman directs and regulates the discussions at Shareholders' Meetings.

In 2016 the Shareholders' Meeting met once on April 19, with the attendance of seven Directors and the full Board of Statutory Auditors.

The Board reported to the Shareholders' Meetings on the activities undertaken and on the future programmes, in line with the requests made by the shareholders present.

**17. FURTHER CORPORATE GOVERNANCE PRACTICES (as per Article 123-bis, paragraph 2, letter a), CFA)**

The Company has not applied further corporate governance practices than those indicated in the previous points.

**18. CHANGES SUBSEQUENT TO THE YEAR-END**

No changes have been made to the corporate governance structure since year-end.

Rome, March 8, 2017

**for the Board of Directors  
The Chairman  
Mr. Francesco Gaetano Caltagirone**



## Tables

**Tab. 1: Information on shareholders**

<b>SHARE CAPITAL STRUCTURE</b>				
	No. of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	125,000,000	100%	Italian Stock Exchange	Right to attend the Shareholders' Meeting (also through a proxy); Right to vote at the Shareholders' Meeting; Option rights on newly issued shares in the case of share capital increases.

<b>SIGNIFICANT SHAREHOLDINGS</b>			
Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Francesco Gaetano Caltagirone	No through FGC Finanziaria Srl, Gamma S.r.l. and Parted 1982 S.p.A.	60.764%	61.816%

**Table 2: Structure of the Board of Directors and Committees**

Board of Directors													Control and Risks Cmte.			Committee for the evaluation of related parties trans.	
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. Of other offices ***	(*)	(*)	(**)	(*)	(**)	
Chairman	Caltagirone Francesco Gaetano	1943	21 12 99	22 04 15	Approv. Fin. Stats. 31 12 17	M	X				5	4/4					
Vice Chairman	Caltagirone Azzurra	1973	21 12 99	22 04 15	Approv. Fin. Stats. 31 12 17	M	X				7	4/4					
Director	Caltagirone Alessandro	1969	23 06 09	22 04 15	Approv. Fin. Stats. 31 12 17	M		X			7	2/4					
Director	Caltagirone Francesco	1968	27 04 06	22 04 15	Approv. Fin. Stats. 31 12 17	M		X			6	2/4					
Director	Caltagirone Tatiana	1967	22 04 15	22 04 15	Approv. Fin. Stats. 31 12 17	M		X			2	4/4					
Director	Confortini Massimo	1954	03 05 01	22 04 15	Approv. Fin. Stats. 31 12 14	M		X		X	1	3/4	M			P	
Director	Delfini Mario	1940	21 12 99	22 04 15	Approv. Fin. Stats. 31 12 17	M	X				10	4/4	M				
Director	Majore Albino	1945	21 12 99	22 04 15	Approv. Fin. Stats. 31 12 17	M	X				5	4/4	M				
Director	Nattino Giampietro	1935	03 05 01	22 04 15	Approv. Fin. Stats. 31 12 17	M				X	2	4/4	M			M	
-----DIRECTORS CEASING OFFICE DURING THE YEAR-----																	
Name	Caltagirone Gaetano	<i>Deceased on May 21, 2016</i>															
Number of meetings held by the BoD: 4						Number of meetings held by the Control and Risks Committee: 1						Number of meetings held by the Committee for the evaluation of related parties transactions 0					
<b>Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 147 CFA): 2%</b>																	

**NOTE**  
The following symbols must be indicated in the "Office" column:  
• This symbol indicates the Director in charge of the internal control and risk management system.  
◊ This symbol indicates the main person responsible for the Issuer's operative management (Chief Executive Officer or CEO).  
◦ This symbol indicates the Lead Independent Director (LID).  
\* The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.  
\*\* This column indicates the slate from which each Director originated ("M": majority slate; "m": minority slate; "BoD": slate presented by the BoD).  
\*\*\*This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.  
(\*) This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).  
(\*\*). This column indicates the position of the Director on the Committee: "C": chairman; "M": member;

**Tab. 3: Structure of the Board of Statutory Auditors**

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Ind. Code	Attendance at Board meetings ***	No. of other offices ****
Chairman	Staffa Antonio	1943	24 06 03	22 04 15	Approv. Fin. Stats. 31 12 17	M	X	6/6	13
Standing Auditor	Coluccia Maria Assunta	1966	27 04 06	22 04 15	Approv. Fin. Stats. 31 12 17	M	X	6/6	21
Standing Auditor	Malorni Federico	1957	21 12 99	22 04 15	Approv. Fin. Stats. 31 12 17	M	X	6/6	39
Alternate Auditor	Sportelli Vincenzo	1965	24 04 11	22 04 15	Approv. Fin. Stats. 31 12 17	M	X		
Alternate Auditor	Amoretti Patrizia	1970	22 04 2015	22 04 15	Approv. Fin. Stats. 31 12 17	M	X		
-----STATUTORY AUDITORS CEASING OFFICE DURING THE YEAR-----									
	Surname Name								
Number of meetings held in the year: 6									
Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per Art. 148 CFA): 2%									

**NOTE**

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

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

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

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

**Attachment 1: Offices held (Indicates offices held in other listed companies and in financial, banking and insurance companies or companies of a significant size.)**

<b>Name</b>	<b>Office</b>	<b>Company</b>	<b>Companies belonging to the group</b>
<b>Francesco Gaetano Caltagirone</b>	Chairman	Caltagirone S.p.A.	X
	Vice Chairman	Assicurazioni Generali	
	Director	Cimentas A.S.	X
	Chairman	Il Messaggero S.p.A.	X
	Director	Aalborg Portland Holding A.S.	X
<b>Azzurra Caltagirone</b>	Vice Chairman	Caltagirone S.p.A.	X
	Director	Cementir Holding S.p.A.	X
	Chief Executive Officer	Il Messaggero S.p.A.	X
	Director	Aalborg Portland Holding A.S.	X
	Director	Piemme S.p.A.	X
	Chairman	FGC S.p.A.	X
	Director	Banca Generali	
<b>Alessandro Caltagirone</b>	Director	Caltagirone S.p.A.	X
	Director	Cimentas A.S.	X
	Director	Cementir Holding S.p.A.	X
	Director	Vianini Lavori S.p.A.	X
	Vice Chairman	Aalborg Portland Holding A.S.	X
	Director	Il Messaggero S.p.A.	X
	Director	Unicredit SpA	
<b>Francesco Caltagirone</b>	Chairman/Chief Executive Officer	Cementir Holding S.p.A.	X
	Vice Chairman	Cimentas A.S.	X
	Chief Executive Officer	Aalborg Portland Holding A.S.	X
	Vice Chairman	Cimbeton A.S.	X
	Director	Caltagirone S.p.A.	X
	Director	Acea S.p.A.	
<b>Tatiana Caltagirone</b>	Director	Vianini Lavori S.p.A.	X
	Director	Caltagirone S.p.A.	X
<b>Massimo Confortini</b>	Chairman	Persidera S.p.A.	
<b>Mario Delfini</b>	Chairman	Vianini Lavori S.p.A.	X
	Vice Chairman	Cementir Italia S.p.A.	X
	Vice Chairman	Cementir Sacci S.r.l.	X
	Director	Caltagirone S.p.A.	X
	Director	Cementir Holding S.p.A.	X
	Chairman until 6 02 17	Vianini S.p.A.	X
	Director	Il Messaggero S.p.A.	X
	Director	Piemme S.p.A.	X
	Director	FGC S.p.A.	X
	Vice Chairman	Fabrica Immobiliare SGR S.p.A.	X
<b>Albino Majore</b>	Director	Caltagirone S.p.A.	X
	Director	Vianini Lavori S.p.A.	X
	Chairman from 6 02 17	Vianini S.p.A.	X
	Chief Executive Officer	Il Messaggero S.p.A.	X
	Chairman	Piemme S.p.A.	X
	Director	FGC S.p.A.	X
<b>Giampietro Nattino</b>	Chairman	Banca Finnat Euramerica S.p.A	
	Chairman	Finnat Gestioni S.A.	

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**Attachment 2: “Principal characteristics of the risk management and internal control system in relation to the financial disclosure process” in accordance with Article 123-bis, paragraph 2, letter b), of the Consolidated Finance Act**

An effective internal control system contributes to the safeguarding of the company assets, the efficiency in the business operations, the reliability of the financial information and compliance with law and regulations.

In order to ensure the reliability of financial reporting and the correct representation of events, the Board of Directors drew up guidelines which must be fully incorporated into the internal control system. These guidelines are as follows:

- a) the financial reporting must comply with generally acceptable accounting principles which are relevant to the specific circumstances in which the company operates;
- b) financial disclosure must include all events which may impact the use, the understanding and the interpretation of such information;
- c) the accounts must reflect the operations and the underlying events;
- d) the financial reporting must be supported by the following underlying assertions concerning specific events:
  - 1) **existence**: the assets, liabilities and capital exist and the operations reported in the accounts concern events which have been verified;
  - 2) **completeness**: all of the operations and other events and circumstances which are verified in the course of a certain period, or should have been recorded in this period, are properly recorded;
  - 3) **rights and obligations**: the assets represent rights and the liabilities represent obligations of an entity at a certain date;
  - 4) **measurement and recognition**: the assets, liabilities, revenues and expenses are recorded for their exact amount in compliance with correct accounting principles.  
The transactions are mathematically correct and recorded in the accounting records of the company;
  - 5) **presentation and disclosure**: the financial statement accounts are correctly described and classified.

In order to identify the principal risks and to identify the areas and accounts which greatest affect the reliability of the financial reporting, both qualitative and quantitative factors must be considered, including the risk of fraud, through examining the following aspects:

- a) **impact on the financial statements**: each account is valued with reference to the percentage of a specific category, such as for example, the total of assets;
- b) **characteristics of the individual accounts**: the internal factors such as the volumes of underlying transactions to a specific financial statement account, the necessity for estimates and the complexity of the accounting principles adopted are examined;
- c) **characteristics of the operating processes**: the operating processes which generate transactions that constitute the individual financial statement items are identified;
- d) **risk of fraud**: the error risk relating to fraudulent actions is evaluated;
- e) **group level factors**: the factors which affect the group as a whole such as the type of activities carried out by the various companies, the size and quality of the workforce, the changes relating to possible changes in the organisational structure and in the IT systems are considered.

The internal control system adopted by the Issuer consists of:

- a) a “first level control”, comprising a series of controls which the individual operating units or companies of the Group undertake in its processes. These control activities are undertaken primarily by the operating management and are considered an integral part of each corporate process;
- b) a “second level of controls” is undertaken by the Committee through the Internal Control Manager principally with the purpose to identify and contain all business risks through periodic verification of the processes, both in terms of the adequacy of the controls and in terms of efficiency of the results obtained.