

**Report on Corporate Governance and  
Ownership Structure**

*for the year ended 31.12.2013,  
approved on 27 February 2014*

*available on the website [www.gruppoigd.it](http://www.gruppoigd.it)*



## **Report on Corporate Governance and Ownership Structure**

Pursuant to Art.123 *bis* TUF

## GLOSSARY

**Board:** the Issuers' Board of Directors

**Civ. cod./c.c.:** the Italian Civil Code.

**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.

**CONSOB Market Regulations:** market regulations issued by CONSOB pursuant to Resolution n.16191 of 2007, as subsequently amended.

**CONSOB Regulations for Issuers:** the regulations for issuers approved CONSOB in Resolution n. 11971 of 1999, as amended.

**CONSOB Regulations for Related Party Transactions:** the Regulations issued by CONSOB pursuant to Resolution n. 17221 of 12 March 2010, as subsequently amended, for related party transactions.

**Issuer or the Company:** issuer of stock referred to in this Report

**Report:** the Report on Corporate Governance and Ownership Structure that companies are required to prepare pursuant to Art. 123-bis TUF

**TUF**" *Testo unico delle disposizioni in materia di intermediazione finanziaria*" Legislative Decree n. 58 dated 24 February 1998 - Financial Markets Consolidation Act:

**Year:** financial year referred to in this Report

### 3.1 COMPANY PROFILE

IGD SIIQ S.p.A. adhered to the Corporate Governance code approved by Borsa Italiana S.p.A.'s Corporate Governance Committee in March 2006.

Subsequently, in 2012, the Company's Board of Directors resolved to adhere to the principles contained in the new edition of the Corporate Governance Code, ensuring that its governance system complied with the new provisions.

The Code is available on Borsa Italiana's website at: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm>

More in detail, on 8 November 2012, the Board of Directors approved the update of its own Corporate Governance Rules which – along with other documents (the bylaws, Code of Ethics, Decree 231/2001 Organizational, Management and Control Model, Regulations for Shareholder Meetings, Procedures for Related Party Transactions, Procedures for the Management and Disclosure of Price Sensitive Information, the Internal Dealing Code) form the set of governance tools used by the Company.

In compliance with the law, this Report contains a general description of the company's corporate governance structure and contains information about the ownership structure and adhesion to the Corporate Governance Code.

The Company has a traditional system of management and control founded on the centrality of the Board of Directors. The financial audit is performed by external auditors, in accordance with the law.

The Company's Corporate Governance model is based on: (i) the guiding role of the Board of Directors in matters of corporate strategy, as a whole and through specifically appointed committees; (ii) the transparency of business decisions within the Company and vis-à-vis the market; (iii) the definition of a remuneration policy for the directors and the managers with strategic responsibilities which complies with the Code iv) the efficiency and efficacy of the internal control and risk management system; (v) the strict governance of potential conflicts of interest; and (vi) clear procedures for transactions with related parties and for the treatment of corporate information

The Company's mission is to create value for all its stakeholders: shareholders, employees, clients and suppliers through sustainable growth.

In 2014 the Company approved the Corporate Sustainability Report which describes the characteristics of the IGD Group, its recent growth, the objectives for future development and the main results achieved in 2013 relating to economic, environmental and social sustainability.

The Corporate Sustainability Report is available to the public on the Company's website: <http://eng.gruppoigd.it/Sustainability/Sustainability-Report-and-Documents>

### 3.2 INFORMATION ON OWNERSHIP STRUCTURE (pursuant to Art. 123-bis, par. 1, T.U.F)

#### a) Share capital structure (pursuant Art. 123-bis, par. 1, lett. a), TUF)

The share capital at 27 February 2014 totals €336,028,239.08 is fully paid-in and subscribed, divided in 348,001,715 ordinary shares without a stated par value.

Please note that during the meeting held on 27 February 2014, during which the Board of Directors approved this report, it also resolved to propose that the Extraordinary Annual General Meeting, convened on 15 and 16 April 2014, in second and first call, respectively, approve, among other things, a proposed capital increase against payment pursuant to Art. 2441, paragraph 4 (2) of the Italian Civil Code.

**b) Share transfer restrictions (pursuant to art. 123-bis, par- 1, letter b), TUF)**

There are no restrictions and all shares are freely transferable.

**c) Significant interests in share capital (pursuant to Art. 123-bis, par. 1, lett. c), TUF)**

Based on the declarations received under artt. 120 and 122 of TUF, the shareholders with voting rights holding more than 2% of the company's ordinary share capital are those indicated in Table 1 "Significant interests in share capital" attached to this report.

**d) Shares granting special rights (pursuant to Art. 123-bis, para. 1, lett. d), TUF)**

The shares issued all have the same rights.

**e) Employee share ownership: exercise of voting rights (pursuant to art. 123-bis, par. 1, letter e), TUF)**

There are no specific mechanisms which provide for employee share ownership.

**f) Restrictions on voting rights (pursuant to Art. 123-bis, par. 1, lett. f), TUF)**

There are no restrictions on voting rights.

**g) Shareholder Agreements (pursuant to Art. 123-bis, par. 1, lett. g), TUF)**

The Company is party to the following shareholder agreement deemed relevant pursuant to Art. 122 of TUF:

On 20 December 2013 Coop Adriatica S.c.a r.l. ("Coop Adriatica") and Unicoop Tirreno Company Cooperativa ("Unicoop Tirreno") agreed to early dissolution of the shareholders' agreement stipulated on 12 June 2013 and, on the same date, stipulated a new shareholders' agreement involving shares of Immobiliare Grande Distribuzione SIIQ S.p.A., pursuant to Art. 122, paragraphs 1 and 5 A) and B), of TUF - substantially in line with the previous one - designed to facilitate the Company's strategic decisions and their management. The Agreement involves 203,585,151 ordinary IGD shares or 58.50% of the company's share capital (the syndicated shares), of which 177,480,875 shares or 51.00% of the share capital are bound by a voting block. The agreement will expire on 31 December 2014.

A summary of the above mentioned agreement is available to the public on Consob's website, in accordance with the law and on the Company's website <http://eng.gruppoigd.it/Investor-Relations/IGD-Stock/Codes-indexes-and-shareholders>.

**h) Provisions relating to change of control clauses (pursuant to Art. 123-bis, par.1, lett. h), TUF) and takeover bids (pursuant to Art. 104, par. 1-ter, and 104-bis, par. 1)**

In the course of their normal business, the Company and group companies may stipulate agreements with financial partners which include clauses which grant each of the parties the right to rescind and/or amend said agreements and/or require repayment of the loan in the event the direct or indirect control of the company contracting party should change.

Without prejudice to the above, during the year the Company:

(i) on 7 May issued senior fixed rate notes "€144,900,000 4.335 per cent, notes due 7 May 2017", the regulations for which call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change;

(ii) on 26 November stipulated an agreement for a mortgage of €135 million with the Italian branch of BNP Paribas which calls for advance repayment of the loan in the event control of the Company should change.

With regard to the provisions found in the company by-laws relating to takeover bids, there are no clauses which provide for exceptions to the passivity rule nor application of the breakthrough rule.

**i) Authority to increase share capital and authorizations to buy back shares (pursuant to Art. 123-bis, par. 1, lett. m), TUF)**

The Board of Directors, pursuant to Art. 2443 of the Italian Civil Code has the right to, by 19 April 2017, increase share capital against payment, in one or more instalments, by up to 10% of the current share capital, to be subscribed by parties selected by the Board of Directors including qualified investors and/or business partners and/or financial partners in Italy and abroad or shareholders of the Company – excluding pre-emption rights pursuant to Art. 2441, paragraph 4 (2), as long as the issue price corresponds to the shares' market price which must be confirmed in a report issued by the external auditors.

During the year the bond loan, “*EUR 230,000,000 3.50 per cent. Convertible Bonds due 2013*”, serviced by the authorization granted by the Company's shareholders meeting in extraordinary session on 25 June 2007 and 22 April 2010 to the Board of Directors to raise share capital, divisibly by up to a maximum of €81,478,715.86 in one or more installments through the issue of up to a maximum of 84,381,994 ordinary shares, was extinguished. More in detail, the bond loan was extinguished (i) for €122,900,000, as a result of the offer to exchange the convertible bonds with new unsecured fixed rate senior notes, disclosed on 18 April 2013, for up to a maximum amount of €230,000,000 due May 2017 made to those holders of the convertible bonds “*EUR 230,000,000 3.50 per cent. Convertible Bonds due 2013*” deemed qualified investors under the law, and (ii) for the remaining €107,100,000, as a result of repayment.

On 18 April 2013 the Ordinary Annual General Meeting granted the Board of Directors the authorization to buy and sell treasury shares in accordance with Art. 2357, second paragraph, of the Italian Civil Code. On 27 February 2014 the Company's Board of Directors, which approved this report, resolved to propose that the shareholders convened in ordinary session on 15 and 16 April 2014, respectively in first and second call, revoke the expiring authorization granted by the shareholders 18 April 2013 and grant a new authorization to buy and sell treasury shares in accordance with Art. 2357, second paragraph, of the Italian Civil Code. The purchase and disposal of treasury shares will be done in accordance with the means established by the shareholders as indicated in the Directors' Report.

As of the date in which the Directors' Report was approved, the Company holds 10,976,592 treasury shares, equal to 3.154% of the share capital.

#### **I) Management and coordination (pursuant to Art. 2497 et seq. Italian Civil Code)**

The Company is subject to the management and coordination of shareholder Coop Adriatica s.c.ar.l. who controls 43.568% of the company's share capital, pursuant to and in accordance with Art. 2497 of the Italian Civil Code.

#### **OTHER INFORMATION**

##### **Indemnity of Directors** (pursuant to art. 123-bis, para 1, letter i), TUF)

With regard to information relative to any agreements between the Company and the Directors in the event of resignation, dismissal or termination following a takeover bid, please refer to the information found in the Remuneration Report published pursuant to Art. 123-ter of TUF and available on the Company's website: <http://eng.gruppoigd.it/Governance/Compensation>

##### **Norms applicable to the appointment and replacement of directors, amendments to the corporate by-laws (pursuant to Art. 123-bis, par. 1, lett. I), TUF)**

The appointment and replacement of the directors, as well as amendments to the corporate by-laws, are conducted and governed in accordance with Title V of the bylaws (Board of Directors) made available on the company's website ([www.gruppoigd.it](http://www.gruppoigd.it)). Please refer to the section “Board of Directors” of this report for further information.

As of the date on which this report was approved, the Board of Directors has not adopted a specific succession plan for the executive directors as it was deemed unnecessary in light of the shareholders and the current powers granted to the Board.

### **3.3 COMPLIANCE (pursuant to Art. 123-bis, par. 2, lett. a), T.U.F)**

Since its IPO, on 11 February 2005, the Company has adopted the Corporate Governance Code and has structured its corporate governance, the rules and standards of conduct, in a way that ensures efficient and transparent corporate bodies and control systems in line with the code guidelines.

The code is published on Borsa Italiana's website (<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm>).

The structure of the company's governance is described in this section of the Directors' Report.

#### **CORPORATE GOVERNANCE STRUCTURE**

Insofar as it is an Italian company with shares listed on the stock exchange which adheres to the code referred to above, the governance structure is founded on a traditional model comprised of: Shareholders' Meetings, the Board of Directors, Board of Statutory Auditors and External Auditors.

The Shareholders' Meeting is the forum used by the shareholders to express their wishes. The resolutions are made in accordance with the law and the bylaws while the meetings are governed by specific regulations adopted by the Company in order to ensure that the meetings are carried out in an orderly and efficient manner.

The Board of Directors defines the strategy for the Company and its subsidiaries and oversees the business operations. In accordance with the bylaws, the Board of Directors may take all measures it deems fit for implementing and achieving the corporate purpose, except for those that the law or the bylaws reserve for the shareholders.

The Board of Statutory Auditors oversees compliance with the law and the bylaws and ensures that the standards of correct administration are observed and, in particular, that the organizational, administrative and accounting structures are adequate, that they function correctly, that the corporate governance rules provided for in the Code are complied with and that the disclosures made by the Company to its subsidiaries comply with Art. 114, paragraph 2, of the TUF (public disclosures).

The financial audit assignment was granted to the registered audit firm appointed during the Annual General Meeting based on the motivated proposal submitted by the Board of Statutory Auditors.

The company's subsidiaries include the Romanian company WinMagazin SA which, however, has no impact on IGD's current corporate governance structure

### **3.4 BOARD OF DIRECTORS**

#### **3.4.1 APPOINTMENT AND REPLACEMENT (pursuant to Art. 123-bis, para. 1, lett. I), TUF)**

The Company is administered by a Board of Directors composed, as per the bylaws, of seven to nineteen members.

The shareholders' meeting of 19 April 2012 decided that there will be 15 members in the Board of Directors, to serve until the date of the shareholders' meeting called to approve the financial statements for the year ending 31 December 2014.

The directors pursue the corporate purpose, acting independently and resolving with sound judgement, seeking out all available information, in order to achieve the priority goal of creating medium/long term value for the shareholders.

Pursuant to Articles 16.2 and 16.3 of the bylaws, the directors are elected on the basis of preference lists which comply with the current laws relating to gender equality. In accordance with Art. 16.3 of the bylaws, lists may be

submitted by shareholders who, alone or together with others, hold the interest determined in accordance with CONSOB regulations (for 2014 equal to 2.5% of the Company's share capital). The lists must be filed at the head office at least twenty-five days in advance of the first-call date of the meeting which will be mentioned in the notice of call. Pursuant to Art. 147-ter, paragraph 1-bis, TUF, Shareholders must submit the certification attesting to possession of the shares needed to file voting lists, determined on the basis of the shareholders of record on the day the lists were filed with the company, issued by an intermediary authorized in accordance with the law at least 21 days prior to the Annual General Meeting is to be held.

The candidates must be numbered sequentially in the lists up to the number of seats to be filled. In accordance with the latest version of Art. 147 ter, fourth paragraph, of the TUF, Art. 16.3, last passage, of the bylaws states that every list must include at least two clearly indicated candidates who qualify as independent in accordance with the law.

The lists which include three or more candidates must include candidates of both genders, as indicated in the notice of call for the Annual General Meeting, in order to ensure that the composition of the Board of Directors complies with current laws relating to gender equality.

In compliance with the bylaws, the lists must be filed along with the candidates' irrevocable acceptance of office (should they be elected), curriculum vitae, and statements confirming that there are no reasons for ineligibility and/or disqualification and that they meet the requirements set by law.

Art. 16.4 of the bylaws, reflecting the provisions of Art. 147-ter, paragraph 3 of the TUF, prohibits any shareholder from submitting or participating in the submission of more than one list. In keeping with the above, Art. 16.7 of the bylaws states that if more than one list is submitted, at least one director must be appointed from the minority list. Thus, if the candidates ranked with the highest quotients come from a single list, the candidate from the minority lists who has earned the highest quotient will be elected in place of the candidate at the bottom of the ranking. Pursuant to art. 16.7-bis of the bylaws – as introduced by the amendments approved by the shareholders meeting in ordinary session on 18 April 2013 – if the law relating to gender equality fails to be complied with as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality without prejudice to the minimum number of independent directors required under the law. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the directors of the least represented gender with the majority of votes required by law.

Art. 16.8 of the bylaws, on the subject of filling vacancies on the Board of Directors, combines the co-optation system with the requirement that minority interests be represented and that at least two directors qualify as independent pursuant to Art. 147-ter, par. 3 of the TUF, as well as in accordance with the laws governing gender equality.

The shareholders' agreement between Coop Adriatica and Unicoop Tirreno, already mentioned in the previous paragraph 3.2 lett. g) art.2 provides that the Board of Directors of IGD is to be comprised of 15 members, due also regard to the provisions related to gender balance, for the duration of the agreement. In the event the Board of Directors is renewed, the parties agreed to submit a list of fifteen candidates, consisting of 7 directors designated by the Coop Adriatica (3 of which are independent pursuant to Borsa Italiana's Corporate Governance Code and at least one of which possesses the requisites pursuant to Art. 148, para. 3 of Legislative Decree n. 58/1998), 5 directors designated by Unicoop Tirreno (2 of which are independent pursuant to Borsa Italiana's Corporate Governance Code and at least one of which possesses the requisites pursuant to Art. 148, para. 3 of Legislative Decree n. 58/1998) and 3 directors designated jointly by Coop Adriatica and Unicoop Tirreno (independent pursuant to Borsa Italiana's Corporate Governance Code). Furthermore, pursuant to Art. 2, the Syndicate Agreement, pursuant to Art. 16.7 of the bylaws, if more than one list is submitted, at least one director must be appointed from the minority list.

## **Succession plan**



As of the date on which this report was approved, the Board of Directors has not adopted a specific succession plan for the executive directors as it was deemed unnecessary in light of the shareholders and the current powers granted to the Board.

### **3.4.2 COMPOSITION (pursuant to Art. 123-bis, para 2, lett. d) TUF)**

The Board of Directors in office through 31 December 2013 consists of 15 directors and was appointed by the shareholders during the meeting held on 19 April 2012 for a term of three years which expires on the date the Annual General Meeting is called to approve the financial statements at 31 December 2014.

During the Shareholders' Meeting held on 19 April 2012 only one list was presented by the majority shareholders Coop Adriatica and Unicoop Tirreno. The lists were submitted with all the documentation relating to the personal characteristics of the candidates along with their irrevocable acceptance of the appointment in the time period provided for under the law.

The above mentioned list received 67.885% of the votes cast.

The Board of Directors currently comprises the following members: Gilberto Coffari (Chairman), Claudio Albertini (Chief Executive Officer), Roberto Zamboni, Aristide Canosani, Sergio Costalli (Vice Chairman), Leonardo Caporioni, Fernando Pellegrini, Fabio Carpanelli, Elisabetta Gualandri, Tamara Magalotti, Livia Salvini, Andrea Parenti, Riccardo Sabadini, Giorgio Boldreghini and Massimo Franzoni.

Following the renewal of the Board of Directors on 19 April 2012, Francesco Gentili, Sergio Santi and Corrado Pirazzini are no longer members of the Board.

The members of the current Board of Directors, along with their status as executive or non-executive and/or independent members as per the Corporate Governance Code and the committees formed as of the date in which this report was approved, can be found in Table 2 bis "Structure of the Board of Directors and Committees" attached.

The current Board of Directors is composed of members with different professional and personal characteristics, such as university professors, professionals, businessmen, as well as company executives. The majority of the directors appointed is in possession of the independence requirement under the provisions of the Code of Conduct and the TUF.

The personal characteristics and professional experience of the single members of the Board of Directors are provided below.

#### ***Gilberto Coffari***

Gilberto Coffari, born in 1946, has been Chairman of IGD's Board of Directors since its formation in 2000. From 2006 through 2011 he was Chairman of Coop Adriatica. Currently he is Director of BancaSai and of Federazione delle Cooperative di Ravenna. Mr. Coffari has acted as a Director and Chairman of the Board for a number of cooperatives, a world he has been part of for more than 40 years. He also holds the offices listed in Table 4.

#### ***Sergio Costalli***

Born in 1952, Sergio Costalli was, through July of last year, Chairman of Unipol Merchant, the Unipol Group's merchant bank, and Vice Chairman of Unicoop Tirreno through January 2014. He is Vice-Chairman of Unipol Banca, in addition to being a Director and member of the Chairman's Committee of Unipol Gruppo Finanziario and Director of Finsoe. He has matured important professional experience, particularly in Unicoop Tirreno where he has held managerial and top positions in administration, finance, legal affairs and asset management since 1989. On 27 January 2014 he was appointed unanimously to act as Chairman of the Chamber of Commerce, Industry, Small Business and Agriculture of the province of Livorno. He has been Vice Chairman of IGD since 2003. He also holds the offices listed in Table 4.

***Claudio Albertini***

He was born in 1958. Appointed Chief Executive Officer of IGD since May 2009, after having previously acted as a company Director for three years. For more than twenty years Mr. Albertini was part of the Gruppo Unipol where he ultimately acted as General Manager of Unipol Merchant. Mr. Albertini is a certified financial auditor registered in the Bologna. He also holds the offices listed in Table 4.

***Roberto Zamboni***

Mr. Zamboni, born in 1950, has been Head of Development and Asset Management at Coop Adriatica, a company where he also acted as technical director, since 2006. Mr. Zamboni has matured experience specifically in real estate and construction, thanks also to his prior professional experiences and his training as a structural engineer. He also holds the offices listed in Table 4.

***Aristide Canosani***

Born in 1935. Chairman of CreditRas Assicurazioni, he led CreditRas Vita until May 2013, Mr. Canosani was in charge of UniCredit Banca for eight years after having worked in Rolo Banca 1473, Carimonte Banca and Banca del Monte di Bologna and Ravenna. Certified financial auditor, Aristide Canosani makes a priceless contribution to IGD's BoD thanks to both his vast experience and expertise in finance. He also holds the offices listed in Table 4.

***Leonardo Caporioni***

A Chartered Public Accountant and Financial Auditor, Mr. Caporioni, born in 1964, is head of Administration and Financial Reporting at Unicop Tirreno, a group where he has worked since 1991 holding positions of increasing responsibility. He also acts as a director and statutory auditor for a number of national and regional (Tuscany) cooperatives. He also holds the offices listed in Table 4.

***Fernando Pellegrini***

He was born in 1964. General Manager of Finance, Asset Management and Financial Reporting at Unicop Tirreno, where he has worked since 1995 in administration, finance and control. Mr. Pellegrini is also Vice Chairman of Simgest and Chairman of the Executive Committee at Simgest S.p.A.. He also holds the offices listed in Table 4.

***Fabio Carpanelli***

He was born in 1938. Chairman of the Supervisory Committee of Manutencoop Facility Management and sole director of Veicolo5 Srl; Mr. Carpanelli has also acted as Chairman of Consorzio Cooperative Costruttori C.C.C. in Bologna, of SMAER, of ANCPL-Legacoop and of Autostazione di Bologna SpA. He also holds the offices listed in Table 4.

***Elisabetta Gualandri***

Born in 1955, Ms. Gualandri received a degree in Business Economics, University of Modena, and a Master's degree in Financial Economics, University College of North Wales. She is a professor of Financial Intermediation, Universities of Modena and Reggio Emilia (*CEFIN* and *Softech-ICT*). She was a statutory auditor for the Bank of Italy from 2007 to 2012, and is currently a member of the Board of Directors of BPER and of DaraRiver, start-up of UNIMORE. Advisor to the European Commission for the program Horizon 2020, Access to Finance Group; member of the incubator Knowbel's CTS. Research topics: banking regulations, financial crises, financing of innovative SMBs and start-ups. She also holds the offices listed in Table 4.

***Tamara Magalotti***

Ms. Magalotti, born in 1948, holds a degree in Business Economics and was a member of the BoD and manager of CMC in Ravenna, where she matured most of professional experience, as part of the Corporate and Legal Affairs Division.

### ***Livia Salvini***

She was born in 1957. Professor of Tax Law at LUISS - Guido Carli University in Rome and Avvocato Cassazionista (the highest order of attorneys), Ms. Salvini holds a doctorate in Tax Law, boasts a twenty year academic career and has been part of numerous ministerial and government commissions and studies. She also holds the offices listed in Table 4.

### ***Andrea Parenti***

Born in Rome in 1957, Mr. Parenti is a certified financial auditor registered in Prato. He acts as a court consultant and received a degree in business economics from the University of Florence in 1982. In 2006 he formed and founded a corporate tax consulting firm after leaving the international audit firm Ernst & Young where he began first as a manager to then become partner of the tax advisory firm for which he ran the Florence office for more than fifteen years. During his professional career, begun in 1983, he matured experience as an auditor and in corporate structuring, with a focus on corporate earnings and extraordinary transactions. He worked as an appraiser of business divisions for the Monte dei Paschi di Siena Banking Group and for other important companies. As a director, he has worked on Boards of companies involved in the manufacture of defense systems, television broadcasting, distribution of audiovisual products, including with mandates relating to administrative and financial matters. He is currently Chairman and member of the Boards of Statutory Auditors of 20 companies. He also holds the offices listed in Table 4.

### ***Riccardo Sabadini***

He was born in 1957. Avvocato cassazionista (the highest order of attorneys), justice of the peace and tax commission appeals court judge, Mr. Sabadini acts as a consultant for cooperative companies, municipalities, public entities and industry associations with regard, above all, to extraordinary corporate transactions and restructuring. He is the author of several publications and a professor of corporate law. He also holds the offices listed in Table 4.

### ***Giorgio Boldreghini***

A civil engineer with vast experience in the retail real estate sector and in logistics. He has acted as a manager and director of a number of different engineering companies. He has been responsible for many national and international projects relating to manufacturing, infrastructure and logistics. He also holds the offices listed in Table 4.

### ***Massimo Franzoni***

He was born in 1956. Professor of Civil Law at the University of Bologna and Avvocato Cassazionista (the highest order of attorneys), Mr. Franzoni is Head of the School of Specialization for legal professions at the same university; he is a member of the scientific committee of the Forensic Foundation of Bologna; he is editor-in-chief of the magazine "Contratto e impresa"; he has published several works relating to civil and commercial law. He is the Representative of the shareholders holding privileged class shares of Unipo Gruppo Finanziario and also acts as a director of Carimonte Holding and UniCredit Private Banking. He also holds the offices listed in Table 4.

The current composition of the Board of Directors complies with the current laws relating to gender equality. Toward that end, when the majority shareholders presented their lists for the renewal of the Board of Directors, the number of candidates of the least represented gender reflected the voluntary and early compliance with the laws introduced by Law 120/2011.

It should also be pointed out that the provisions relating to the composition of the administrative and control bodies, contained in the above mentioned Law 120/2011, include a specific temporary norm calling for the gradual application of the law and that for the first mandate at least one fifth of the directors and statutory auditors should be of the least represented gender.

In compliance with the Corporate Governance Code, the directors take office only when they believe that they will be able to dedicate the time needed to carry out their duties diligently, including in light of their roles in any Board committees, as well as the workload connected to their professional activities, the number of and time dedicated to other offices held as director or statutory auditor in other companies as per the limits on multiple assignments described below, ensuring that this condition remains throughout their term of office.

The Directors, aware of the responsibilities inherent in the office held, must be constantly updated on the newest legislative and regulatory developments affecting the Company and its business.

The directors must comply with the Ethical Code, the Code of Internal Dealing and any other provisions with which the Company regulates the directors' conduct; the directors, like the statutory auditors, must treat any documents and information to which they might have access in the course of their duties with the maximum confidentiality.

#### **Maximum number of appointments allowed in other companies**

In order to regulate the maximum permitted number of appointments in another company that a director may hold, the Company drafted specific regulations referred to as the "Limits to the maximum number of appointments allowed in other companies" which were approved by the Board of Directors on 13 December 2010, in accordance with the proposal received from the Nominations Committee now "Nominations and Compensation Committee", made available to the public on the Company's website at <http://eng.gruppoigd.it/Governance/Board-of-Directors> .

Based on the regulations, the term "maximum number" does not refer solely to the number of offices held, but also attributes a weight to each type of appointment in relation to the nature and size of the company, as well as the position held by IGD's directors in other companies, in light of the fact that more time is dedicated to certain positions than to others. In light of this consideration, IGD's Board of Directors held that the weight to be attributed to the office of Chairman, Executive Director be different, for example, than that of a non-executive director or member of the Board of Statutory Auditors. Lastly, the weight attributed each office was also different based on the type and size of the company and two sub-categories were established; Group A and Group B. Group A includes other companies listed on regulated markets, financial institutions, banks, insurance companies or other large companies. All the companies which are not part of Group A are automatically considered part of Group B. In light of these considerations, the Board listed the overall weight of the offices held in other companies which can be considered compatible with acting effectively as a director in IGD.

The general criteria described above were approved by the Nominations and Compensation Committee and then by IGD's Board of Directors in light of the fact that in order to act as a director the appointees must be able to devote the time necessary to diligently and effectively fulfil his/her obligations. On the basis, therefore, of the regulations governing "Limits to the maximum number of appointments allowed in other companies" the current board was found to be fully compliant.<sup>1</sup>

Pursuant to the Corporate Governance Code the principle offices held by directors in companies other than those of the IGD Group can be found in Table 4 "Offices held by the directors at 31 December 2013", attached.

Over the years the Company, in line with the practice adopted since 2009, has promoted group meetings with the Directors and the Statutory Auditors in order to further explore topics linked to the global market environment in which the Company operates and analyze the unique characteristics of the Company's core business and any strategic opportunities.

#### **3.4.3 ROLE AND FUNCTIONS OF THE BOARD OF DIRECTORS (pursuant to Art. 123-bis, par 2, lett. d) TUF)**

The Company is administered by a Board of Directors which meets on a regular basis and which is organized in such a way as to guarantee that its duties are carried out efficiently.

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<sup>1</sup> Corporate Governance Code: Art. 1.C.3.

The Board of Directors primary responsibility is to determine and pursue the strategic objectives of the Company and the entire Group.

In order to ensure maximum attendance at the Board meetings, they are held on the dates indicated in a financial calendar which has been disclosed to the market in accordance with *Borsa Italiana's* instructions. Additional meetings may be called if deemed necessary in order to address certain issues; the Board, at any rate, takes the steps necessary to effectively fulfil its duties. The Company published the following financial calendar which calls for 4 meetings to be held in 2014:

- 27 February 2014: Board of Directors' meeting to examine the separate and consolidated financial statements at 31 December 2013;
- 8 May 2014: Board of Directors' meeting to examine the Interim Management Statement at 31 March 2014;
- 7 August 2014: Board of Directors' meeting to examine the Half-year Financial Report at 30 June 2014;
- 12 November 2014: Board of Directors' meeting to examine the Interim Management Statement at 30 September 2014.

If the company deems it opportune it may convene, in accordance with the bylaws, other board of director meetings in 2014.

Pursuant to Art. 17.3 of the bylaws, the chairman calls and presides over meetings of the Board of Directors; conducts, coordinates and moderates the discussion and related activities; and announces the results of votes. He must ensure that the Board of Directors constantly pursues its primary responsibility, namely achieving the strategic goals of the Company and the entire Group.

Without prejudice to the call prerogatives guaranteed by law, meetings of the Board of Directors are called by the chairman, or the chairman's deputy, whenever this person sees fit or at the request of a majority of the directors. Art. 18 of the bylaws also provides for Board of Directors' meetings to be called by the Board of Statutory Auditors. Meetings are normally called by telegram, fax, or other means as long as this ensures proof of receipt at the domicile of each member of the Board of Directors at least five days in advance of the meeting. In urgent cases, meetings may be called two days in advance. The statutory auditors are informed of the meeting according to the same terms described above. Typically the meetings are called via e-mail.

The power to call the Board of Directors' meetings granted to the Board of Statutory Auditors or by any member thereof complies with Art. 151, second paragraph of TUF.

The Board of Directors meets at the place specified in the notice of meeting, which may be the registered office or anywhere else in Italy.

The Chairman of the Board of Directors works to ensure that the directors and statutory auditors receive the documentation relating to the items on the Agenda in a timely manner and prior to the date on which the meeting is to be held<sup>2</sup>.

During the year the documentation relative to the Board meeting agendas was sent regularly to each director in advance in order to ensure a timely and complete exchange of information prior to the meeting.

Board meetings are presided over by the chairman or, if the chairman is unavailable, by the vice chairman (if appointed) or, if the vice chairman is unavailable, by the most senior director in terms of age.

For each meeting the Board of Directors, at the chairman's proposal, elects a secretary who may or may not be a member and who will sign the minutes of the meeting.

The bylaws require the presence of at least one member of the Board of Statutory Auditors at all sessions of the Board of Directors, to ensure that the auditors are informed of the Company's activities and of the transactions having a significant impact on profitability, assets, liabilities, and financial position carried out by the Company or its subsidiaries, in particular those transactions in which they have an interest on their own or third parties'

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<sup>2</sup> Corporate Governance Code: Art 1.C.5.

account; that are influenced by the party in charge of management and coordination; or that have been the subject of resolutions, debate or announcement during the course of the session. If no statutory auditor is present at a meeting of the Board of Directors, or if the procedures adopted in accordance with the preceding section do not guarantee that the auditors are informed on at least a quarterly basis, then according to the bylaws the chairman and/or the chief executive officer must report in writing on his or her activities to the chairman of the Board of Statutory Auditors within three months. This report must be mentioned in the minutes of the first subsequent meeting of the Board of Statutory Auditors.

Typically the Issuer's managers attend the Board of Directors' meetings in order to provide additional information regarding the items on the Agenda. The Chairman of the Board of Directors, including if requested by one or more directors, may request that the Chief Executive Officer invite executives of the Company or Group companies to attend the Board meetings to provide in depth information about the items on the Agenda. During the year ended 31 December 2013, the Board of Directors held 8 (eight) meetings, on 28 February, 18 March, 18 April, 9 May, 16 May, 7 August, 7 November, 19 December, duly attended by the directors and by a member of the Board of Statutory Auditors. The absentee rate was quite low and all absences were excused. Each meeting lasted an average of 2.30 hours (two hours and thirty minutes).

Some meetings of the Board of Directors were attended by Company executives and/or external parties, so they could provide specialized input on the topics up for debate.

Following the criteria set forth in Art. 1.C.1 of the Corporate Governance Code, the Board of Directors:

- a) examines and approves the strategic, business and financial plans of the company, the company's corporate governance system, as well as that of the strategically important subsidiaries, periodically monitoring implementation; defines the Company's corporate governance system and Group structure;
- b) defines the nature and level of risk deemed compatible with the Company's strategic objectives;
- c) judges the adequacy of the organizational, administrative, and accounting structure of the Company and its strategic subsidiaries with particular reference to the internal control system and the management of conflicts of interest;
- d) in order to encourage the involvement and cooperation of the directors, institutes the board committees and commissions deemed necessary for the proper functioning of the Company, while also defining its active duties and consulting functions;
- e) establishes the frequency with which the delegated bodies must report to the Board of Directors on the progress made during the year relating to their assignments and the most significant operations carried out in the period, which will, at any rate, not be more than once a quarter;
- f) evaluates general business performance, taking account of the information received from the chief executive officer, and periodically comparing actual results with forecasts;
- g) resolves on the operations carried out by the Company and its subsidiaries where such transactions are strategically, economically or financially significant for the Company; toward this end, determines the general criteria to be used to define material transactions and ensures that the strategically significant subsidiaries submit any transactions that could have a significant impact on the Company to the Board of Directors for approval;
- h) evaluates, at least once a year, the size, composition and proper functioning of the Board of Directors and its committees, also taking into account professional

qualifications, experience, including as a manager, along with the nature of its members and their seniority ;

- i) in light of the results of the assessment referred to in letter h) above, expressed to the shareholders, prior to the appointment of the new Board of Directors, any opinions about the type of professional that should be part of the Board;
- l) provides information in the report on corporate governance: (i) on the composition of the Board, indicating the qualifications (executive, non executive, independent), offices held within the Board (for example, Chairman or Chief Executive Officer), the main professional characteristics, as well as how long the office has been held; (ii) on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member; (iii) on the ways the assessment in letter h) above was carried out (iv) on the timeliness and completeness of the information provided before the Board, providing indications if the information was provided in a timely enough manner – and, at any rate, in accordance with the Company's bylaws;
- m) after the appointment of an independent director and, subsequently when circumstances materialize which could impact the latter's independent status and, at any rate once a year, evaluates – based on the information received from the interested party or, at any rate, available to the Company - the independent status of its non-executive members<sup>3</sup>: this independence is evaluated on the basis of the criteria indicated in the Corporate Governance Code and any other facts which could impact each instance; the Board of Directors will advise the market as to the results of its evaluations (upon appointment, in a press release and, subsequently, in the Corporate Governance Report). In these documents the Board of Directors: (i) indicates if parameters other than those indicated in the Corporate Governance Code were used, including with regard to a single director; and (ii) describes the quantitative and/or qualitative criteria used to assess the significance of the relationships being evaluated<sup>4</sup>.
- n) each year, based on the information received from the Directors, records notes in the Report on Corporate Governance, the assignments held by Directors in other companies as directors or statutory auditors in financial, banking, insurance or large companies, listed on regulated markets (in Italy or abroad);
- o) expresses an opinion with regard to the criteria to be used to determine the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of Company director, taking into account the position held in any Board committees<sup>5</sup>. Toward this end, on the basis of a specific procedure<sup>6</sup>, looks at the workload connected with each directorship (executive director, non executive or independent), including in relation to the type and size of the company in which the offices are held, as well as whether the latter are part of the Group;
- p) determines, based on the opinion of the Nominations and Remuneration Committee, who is to be appointed to act as a Company executive, as well as a member of the Board of Directors, Board of Statutory Auditors, Chief Executive

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<sup>3</sup> Corporate Governance Code Art. 3.P.2

<sup>4</sup> Corporate Governance Code Art.3.C.4.

<sup>5</sup> Corporate Governance Code Art. 1.C.3.

<sup>6</sup> Toward this end the Company has established limits for multiple assignments approved by the Board of Directors on 13 December 2010.

Officers and General Manager of the strategically relevant subsidiaries; based on the opinion of the Nominations and Remuneration Committee, determines compensation;

- q) promotes initiatives designed to facilitate active and informed shareholder participation, as well as the exercise of shareholder rights, guaranteeing that they are provided with timely and complete information;
- r) ensures that the Decree 231/2001 Organizational, Management and Control Model is updated and complied with, while completing a risk map of the potential criminal violations with the support of the Supervisory Board;
- s) appoints, subject to the opinion of the Board of Statutory Auditors, a Financial Reporting Officer in accordance with Law 262/2005;
- t) may call upon an independent Director to act as lead independent director, a point of reference and coordinator for all positions and activities of the non executive, and in particular, independent directors<sup>7</sup>;
- u) in the event the shareholders, in light of organizational needs, authorize that an exception be made to the non compete clauses referred to in Art. 2390 of the Italian Civil Code, evaluates on the merits of each situation and reports its findings to the first Shareholders' Meeting. Toward this end, upon appointment each Director will inform the Board of any activities carried out which compete with those of the Issuer and any relevant changes;
- v) in order to ensure the correct handling of corporate information, updates, based on the proposal of the Chief Executive Officer of the Chairman of the Board of Directors, the Procedures for the management, handling and disclosure of confidential information and documents, with regard particularly to price sensitive information<sup>8</sup>;
- z) evaluates whether a succession plan for the executive directors should be adopted or not, subject to the opinion of the Nominations and Remuneration Committee<sup>9</sup>.

As part of the Company's internal control and risk management, the Board of Directors, subject to the opinion of the Control and Risk Committee:

- defines the guidelines for the internal control and risk management system so that the principal risks that the Company and its subsidiaries face are correctly identified, as well adequately assessed, managed and monitored, while also determining the extent to which the risks are compatible with the strategic goals identified;
- evaluates, at least once a year, the adequacy and efficacy of the internal control and risk management system with respect to the business and the inherent risk profile;
- approves, at least once a year, the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System;
- describes the main features of the internal control and risk management system in the report on corporate governance and expresses an opinion as to its adequacy;

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<sup>7</sup> Corporate Governance Code Art. 2.C.3.

<sup>8</sup> Comment on Art. 1 Corporate Governance Code

<sup>9</sup> Corporate Governance Code Art. 5.C.2.



- evaluates, after having consulted with the Board of Statutory Auditors, the opinion issued by the external auditors upon completion of the financial audit;
- appoints and replaces, based on the proposal of the Director in charge of the Internal Control and Risk Management System, as well as after having consulted with the Board of Statutory Auditors, the Head of Internal Audit.

The functions of the Board of Directors, as described above, comply with the new version of the Code.

Pursuant to the Corporate Governance Code, the Board of Directors, during the meeting held on 27 February 2014, used the reports provided by the Chief Executive Officer during the year in accordance Art. 2381 of the Italian Civil Code, the reports prepared by Control and Risk Committee (formerly Internal Control Committee), the Supervisory Board, and the Internal Audit, as well as the Report prepared by the Financial Reporting Officer regarding the preparation of the accounting ledgers, to evaluate the adequacy of the Company's and its subsidiaries organizational, administrative and general accounting structures, particularly with regard to the internal control system and the management of any conflicts of interest <sup>10</sup>.

The Board of Directors, in accordance with the bylaws and the current norms and regulations and based on the information provided by the Chief Executive Officer and the Board of Statutory Auditors, evaluated the company's performance, its outlook and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries at least quarterly.

In 2013, the Board of Directors, also met specifically to: (i) examine and grant advance approval of any transactions undertaken by the Company and its subsidiaries of significant strategic, economic, capital or financial transactions, particularly those in which one or more directors held an interest directly or on behalf of third parties; (ii) assess and express an opinion (in this instance positive) about the size, composition and proper functioning of the Board of Directors and its committees.

In 2013 the Board of Directors continued with the Board Review process begun in 2007 in order to remain in line with international best practices and to fully comply with the Corporate Governance Code. The outcome is described below. As in the past, for the year ended on 31 December 2013, IGD hired the consulting company Egon Zehnder International to help with this self-assessment process.

This survey, relating to the year closed on 31 December 2013, was conducted in the months of January and February 2014 in accordance with the most sophisticated international best practices and was carried out on the basis of:

- discussions with each Director, after having completed a questionnaire prepared for this purpose;
- analysis of the comments and observations received and the preparation of a summary report which was presented to the Board;
- discussion of the main results and relative follow-up strategies with the Board.

The Board Review results were presented during the Board of Directors' meeting held on 27 February 2014.

More in detail, the Directors expressed their appreciation of the topics that were the focus of this year's self-assessment and, as a whole, the Board:

- was found to be satisfactory in terms of functioning and efficiency, the presence of the necessary expertise and experience and that a majority of directors are independent;
- expressed its willingness to reduce the number of Directors ;
- was satisfied with the involvement of the management team in meetings and the work done, in a constructive environment that also encourages their involvement;

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<sup>10</sup> Corporate Governance Code Art. 1.C.4.

- intends to begin specific training and development programs, as well as with regard to evaluation of skills and results achieved, including with a view to the preparation and optimization of a succession plan;
- continues to be satisfied with the work done by the Chief Executive Officer and the Chairman;
- recognizes, by a vast majority, the need to adopt a succession plan for the key executives over the next three – four years which should be implemented by the Board;
- expressed great satisfaction with how strategic discussions begun in the past were conducted last year.

Lastly, please note that at the date of this Report, the Company's shareholders had not authorized general or preventive exceptions to the non-compete clauses provided for in Art. 2390 of the Italian Civil Code<sup>11</sup>.

### **3.4.4 EXECUTIVE DIRECTORS**

#### **Chief Executive Officer**

The bylaws<sup>12</sup> state that the Board of Directors may delegate its powers, within the confines of Art. 2381 of the Italian Civil Code and determining the limits of such authority, to an executive committee comprised of some of its members and/or one or more members given the title of chief executive officer or executive directors.

On 19 April 2012, the Board of Directors confirmed Claudio Albertini as Chief Executive Officer, granting him the following powers, which were subsequently amended on 8 November 2012:

- to develop and propose – as agreed with the Chairman – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;
- to develop and propose the strategies and financial policies of the Company and the group in relation to the growth, profitability and risk objectives determined by the Board of Directors, with responsibility for their implementation; to ensure that objectives are pursued in accordance with the guidelines set by the Board of Directors;
- to optimize the instruments and procedures of financial management and manage relations with the financial system;
- to develop and propose strategies for organizational development and policies for hiring, managing and training human resources;
- to recommend group accounting standards and operating principles to the Board of Directors and ensure that the financial statements (separate, administrative and consolidated) are properly formulated; to ensure compliance with group directives and with administrative, legal, and tax regulations and laws;
- to coordinate the drafting of the business plans, annual budget and the relative reporting;
- to monitor and coordinate any related activities: general services, any legal problems and fiscal implications;
- to assume responsibility for the prompt and correct implementation of work on property carried out directly by the Company, in compliance with the plans, budgets, and timeframes approved by the Board of Directors;

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<sup>11</sup> Corporate Governance Code Art. 1.C.4.

<sup>12</sup> Art. 23 of the bylaws

- to assume responsibility for operational supervision of the progress of turn-key contracts acquired from third parties;
- to assume responsibility for the proper maintenance of real estate assets according to rental contracts between IGD SIIQ S.p.A. and third parties and the budgets approved by the Board of Directors;
- to assume responsibility for preparing the annual plan of work and the respective budget forecasts, with regard to both new construction and maintenance, subject to the approval of the Board of Directors;
- to interface, as agreed upon with the Chairman, with the shareholder cooperatives, regarding any integration of the respective investment plans.
- to define, together with the Chairman, the optimal size of the administrative bodies and select the Directors and Statutory Auditors, as well as the Chairman, Vice Chairman and/or Chief Executive Officer of subsidiaries and affiliates so that the Chairman may submit them to the Nominations and Remuneration Committee;
- to oversee the appointment of the main managerial positions within the Group;
- to define, together with the Chairman, the proposals for the compensation of the Company's and Group's top management to be submitted to the Nominations and Remuneration Committee;
- to ensure that the Company's organizational, administrative and accounting functions are adequate in light of the size of the business.

Pursuant to the Corporate Governance Code, the Company's Chief Executive Officer is primarily responsible for the business operations. In this regard, please note that the Chief Executive Officer does not act as a director for another Issuer that is not part of the same Group of which a director of the Company is Chief Executive Officer.

#### **Chairman and Vice Chairman of the Board of Directors**

In compliance with the bylaws<sup>13</sup> the Board of Directors appoints from among its members a Chairman, if the shareholders have not done so, and a Vice Chairman. If the Chairman is absent, the chairmanship is assumed by the Vice Chairman and if the Vice Chairman is absent the chairmanship is assumed by the Chief Executive Officer.

The chairman of the Board of Directors has signing authority for the Company and shall represent it as its Legal Representative<sup>14</sup> before any legal or administrative authority and vis-à-vis third parties; if the chairman is absent or unavailable, this authority is held by the Vice Chairman (if appointed), or by the most senior director in terms of age if the vice chairman is also absent or unavailable. Unless otherwise resolved, legal representation is also held by each Executive Director appointed in accordance with the bylaws.

During the meeting held on 19 April 2012, the Board of Directors appointed Gilberto Coffari Chairman and assigned him the following functions, subsequently amended on 8 November 2012:

- to develop and propose – as agreed with the Chief Executive Officer and as per his proposal – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;
- to coordinate the Company's programmed investments with the real estate projects undertaken by the shareholder cooperatives;
- to interface with the shareholder cooperatives regarding any integration of the respective investment plans.

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<sup>13</sup> Art. 17 of the bylaws

<sup>14</sup> Art. 24.1 of the bylaws

- to maintain and develop – together with the Chief Executive Officer – relationships with the consumer sector cooperatives in order to explore possible aggregations of the shopping centers included the real estate portfolio.
- to act as the director in charge of Internal Control and Risk Management; in this role, working with, to the extent necessary, the Chief Executive Officer, he: (i) works to identify the main business risks of the Company and its subsidiaries; (ii) executes the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying the overall adequacy, efficacy and efficiency; (iii) reports periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the overall management of the control system, its functioning and implementation of proposed measures; (iv) adapts this system to any change in operating conditions, the law or regulations; (v) may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results; (vi) inform the Board of any problems encountered while carrying out the activities referred to so that the Board of Directors may adopt the necessary measures.

During the meeting held on 8 November 2012, the Board of Directors, with a view to adopting a system more in line with best practices of listed companies which allow for the management of control functions to be separated from operations, called upon the Chairman, Gilberto Coffari, to act as the Director in Charge of Control and Risk Management who, following this assignment, is considered the executive director. At the same time the relative powers originally granted to the Chief Executive Officer were revoked.

During the meeting held on 19 April 2012, the Board of Directors appointed Sergio Costalli Vice Chairman, granting him the powers assigned to the Chairman to be exercised if the latter is absent or unavailable.

#### **Executive Committee (pursuant to Art. 123-bis, para. 2, lett. d), TUF)**

The Company did not appoint an Executive Committee.

#### **Reporting to the Board of Directors**

In accordance with Article 23.2 of the bylaws and Art. 150 of TUF, the Board of Directors and the Board of Statutory Auditors must report in writing at least once a quarter, when the Board meetings are held, on general performance, the business outlook, and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries. Each director may request that the deputized parties provide the Board with information regarding the Company's management.

For the purposes of fostering organized reporting, the Company has adopted a set of specific Guidelines which define the rules to be followed for complying with the reporting obligations.

The main purpose of these guidelines is to provide corporate governance tools that are concrete examples of the recommendations found in the Corporate Governance Code. The guidelines, in particular, ensure the transparency of the Company's management, make it possible for each director to be involved in the management in a more knowledgeable way thanks to the efficient flow of information between the deputized parties and the Board as per the Corporate Governance Code which stress the centrality of the Board's role while also seeking to reinforce the internal control functions.

The guidelines also contain information about the supervisory activities of the Board of Statutory Auditors pursuant to Art. 149 (TUF).

### 3.4.5 OTHER EXECUTIVE DIRECTORS<sup>15</sup>

The Board of Directors appointed the Chief Executive Officer Claudio Albertini to act as Executive Director. Furthermore, during the meeting held on 8 November 2012 the Board of Directors appointed the Chairman to act as the Director in Charge of the Internal Control and Risk Management System. While not assigned any other mandates, the latter is now considered an Executive Director in light of the powers granted as a result of this assignment alone as per Art. 7 of the Corporate Governance Code.

### 3.4.6 INDEPENDENT DIRECTORS

The Company's Board of Directors evaluated compliance with the requirements for independent, non-executive directors provided for in the Corporate Governance Code and TUF upon and subsequent to appointment of the directors. The outcome of this evaluation was disclosed to the market.

After having examined the information provided by the directors, in the meeting held on 27 February 2014 the Board of Directors confirmed that the independent directors appointed Giorgio Boldreghini, Fabio Carpanelli, Massimo Franzoni, Elisabetta Gualandri, Tamara Magalotti, Andrea Parenti, Riccardo Sabadini, Livia Salvini still qualified as such<sup>16</sup>. In light of the high level of professionalism and the work done over the last few years by the directors Fabio Carpanelli, Massimo Franzoni and Riccardo Sabadini, who have been acting as directors for more than nine years, the Board of Directors – including based on the information provided by the directors themselves – found that their ability to make autonomous decisions had not been compromised and, therefore, found these directors qualified as independent including in accordance with the Corporate Governance Code. In accordance with the Corporate Governance Code, on 20 February 2014 the Statutory Auditors verified that the criteria and procedures for assessing the independence of its directors were correctly applied by the Board<sup>17</sup>.

As the current Board of Directors is comprised of 15 members, the independent directors represent 53% of the total number of directors and 61.5% of the total number of non-executive directors. Please note that the Board of Directors also verified that all the directors who qualify as independent pursuant to the Corporate Governance Code also meet the requirements for independent applied to members of the Board of Statutory Auditors pursuant to TUF.

The Independent Directors met once in 2013 (20 December 2013) as convened by the Lead Independent Director.

### 3.4.7 LEAD INDEPENDENT DIRECTOR

In February 2007, in order to further enhance the role of independent directors, the Board decided to introduce the title of **Lead Independent Director**. More in detail, the Board of Directors deemed it opportune to appoint a lead independent director also because, at that time, the Chairman of the Board of Directors was also the Chairman of the Board of Directors of the Company's majority shareholder.

Following the recent renewal of the Board of Directors during the Board meeting held on 19 April 2012 the Company deemed that the appointment of a Lead Independent Director could help guarantee the above and enhance the role of the independent directors, in line with the Company's practices, and appointed independent director Riccardo Sabadini to act as Lead Independent Director even though none of the circumstances existed which call for the appointment of a Lead Independent Director under the Corporate Governance Code.

In order to improve the contribution and role of the independent directors will refer to the Lead Independent Director, who will act as the reference person and coordinator for all positions and activities of the independent directors and, will also work with the Chairman of the Board of Directors in order to ensure that the directors receive complete and timely information.

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<sup>15</sup> Corporate Governance Code: Art. 2.C.1.

<sup>16</sup> Corporate Governance Code: Art 3.C.4

<sup>17</sup> Corporate Governance Code: Art. 3.C.5.

The Lead Independent Director, acting individually or at the request of other directors, may also call meetings of independent directors only (“independent directors' executive sessions”) to discuss topics deemed of interest in relation to the functioning of the Board of Directors or the Company's management.

### **3.5 TREATMENT OF CORPORATE INFORMATION**

#### **Procedure for managing and disclosing price sensitive information**

In accordance with Code recommendations, particularly with regard to price sensitive information pursuant to Art. 114, para. 1 TUF, in December 2006, the Company adopted an internal procedure for the secure, confidential management and disclosure of price sensitive information and documents, updated on 28 February 2013 in order to comply with changes made in the regulations governing the treatment of corporate information.

The procedure is to be followed by all members of corporate bodies, as well as managers and employees of the Company and its subsidiaries who have access to price sensitive information. They must, therefore, keep confidential the documents and information obtained during the course of their duties and follow the procedure the Company has adopted for the internal management and disclosure to third parties of such data<sup>18</sup>.

The procedure also aims to prevent such information from being disclosed selectively (i.e. divulged ahead of time to certain parties, such as shareholders, reporters or analysts), or in an untimely, incomplete or inadequate manner.

#### **Registry of Insiders**

Pursuant to Art. 115-bis TUF and in order to foster greater control in the internal management and disclosure of price sensitive information, in June 2006 the Company established a registry of the persons who have access to price sensitive information, the “Registry of Insiders”. The Registry of Insiders is kept and updated in accordance with the specific regulations adopted by the Board of Directors on 21 June 2006, as subsequently amended.

The purpose of the above mentioned regulation is twofold; to develop greater awareness as to the importance of price sensitive information and to facilitate Consob's supervisory activities, as well as the judicial authorities' investigations in cases involving potential market abuse.

All the directors, statutory auditors, managers and employees who have access, on a continuous basis to price sensitive information, are listed in the registry.

#### **Internal dealing**

In accordance with Art. 114, paragraph 7 of TUF and with the implementation provisions found in Arts. 152-sexies et seq. of the “Regulations for Issuers”, effective as of January 2007 the Board of Directors adopted a procedure governing mandatory notification and conduct on the subject of transactions carried out by relevant persons and parties closely related to such persons on the Company's shares or on related financial instruments. The procedure adopted was subsequently updated by the Company on 28 February 2013 in order to comply with the latest changes made in this regard to the Regulations for Issuers. The code of conduct is available at <http://eng.gruppoigd.it/Governance/Internal-Dealing> .

### **3.6 BOARD COMMITTEES (pursuant to Art. 123-bis, par. 2, lett. d), TUF)**

In 2008 the Board of Directors, in compliance with Code recommendations, formed the Chairman's Committee, the Control and Risk Committee (formerly the Internal Control Committee) and the Committee for Related Party Transactions.

As the Company is subject to the management and coordination of Coop Adriatica s.c.a r.l., who holds 43.568% of the Company's share capital, pursuant to Art. 2497 of the Italian Civil Code, it is subject to Art. 37, paragraph

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<sup>18</sup> Corporate Governance Code: Comment on Art. 1.

1 (d) of the Market Regulations, based on which the committees formed pursuant to the Corporate Governance Code must comprise only independent directors as defined in TUF and the Corporate Governance Code.

In 2012, the Board of Directors resolved to combine the Compensation and the Nominations Committees into a single “Nominations and Compensation Committee” in accordance with the recommendations found in the comments on Article 4 of the Code and having met the organizational requirements referred to. The members of the previously mentioned committees were recently elected when the Board of Directors was renewed in April 2012 (with regard to the Committee for Related Party Transactions, please refer to paragraph 12 “Directors’ interests and related party transactions”).

### **3.7 NOMINATIONS AND COMPENSATION COMMITTEE**

The Compensation and the Nominations Committees were combined into a single “Nominations and Compensation Committee” for internal organizational purposes, as the members of the former Compensation Committee possess the same requirements relative to independence, professionalism and experience as the members of the Nominations Committee.

#### **Composition and role of the Nominations and Compensation Committee (pursuant to Art. 123-bis, par 2, lett. d) TUF)**

The Nominations and Compensation Committee consists of three non-executive independent directors in the persons of Andrea Parenti, Chairman, Fabio Carpanelli and Tamara Magalotti. The Board of Directors, after having seen the *curricula* of the Committee members verified that director Andrea Parenti possesses adequate knowledge and experience in finance and with remuneration policies.

The meetings of the Nominations and Compensation Committee may be attended by the Chairman of the Board of Directors, the Vice Chairman and the Chief Executive Officer.

No director may attend a meeting of the Nominations and Compensation Committee during which his/her compensation is being discussed.

In 2013 the Nominations and Compensation Committee met three times and all members attended. Each meeting lasted approximately one hour.

#### **Functions of the Nominations and Compensation Committee**

The Nominations and Compensation Committee: (i) submits proposals regarding the optimal composition of the Board of Directors, Company management and selection of directors, statutory auditors and management for subsidiaries held to be of strategic importance in order to guarantee an adequate level of separation between directors and management; (ii) provides recommendations relating to remuneration in order to ensure that the compensation of the Company’s directors, the Managers with Strategic Responsibilities and directors of subsidiaries are determined in such a way as to retain and motivate the individuals with the professional characteristics needed to successfully manage the Company and its subsidiaries. The Committee also proposes candidates to the Board in the event it’s necessary to substitute the independent directors.

The Nominations and Compensation Committee may also be called upon to provide the Board of Directors with an opinion about the periodic self-assessment, the optimal size and composition of the Board and to express opinions regarding the members of the Board and the characteristics of the professionals that could improve the functioning of the Board, as well as the maximum number of assignments as director and statutory auditor in other companies, as well as any allowable exceptions to the non compete clauses.

The Nominations and Compensation Committee will periodically assess the adequacy, the coherence and the implementation of the compensation policy availing itself, with regard to the Managers with Strategic Responsibilities, of the information provided by the Chief Executive Officer.

The Committee may also be called upon to express an opinion about the type of administrative body to be formed (single party or board), the number of members and the candidates to be presented for director,

statutory auditor, chairman, vice chairman and general manager (and/or chief executive officer) of the subsidiaries or affiliates.

The Company will provide the Nominations and Compensation Committee with the financial resources needed to fulfil its duties.

Detailed information about the functions of the “Nominations and Compensation Committee” can be found in the Remuneration Report, published pursuant to Art. 123-ter of TUF, available on the website <http://eng.gruppoigd.it/Governance/Compensation> .

### **3.8 DIRECTORS' REMUNERATION**

This information can be found in the Remuneration Report, to which you are invited to refer, published in accordance with art. 123-ter of TUF, available on the Company's website <http://eng.gruppoigd.it/Governance/Compensation> .

### **3.9 CHAIRMAN'S COMMITTEE**

The Chairman's Committee is comprised of the Chairman, the Vice Chairman, the Chief Executive Officer, as well as the Director Roberto Zamboni.

The Chairman's Committee assists in determining the development policies, along with the strategic and operational guidelines, to be submitted to the Board of Directors and oversees the correct implementation of same. The committee is also called upon to express opinions regarding the strategically relevant development and investment transactions to the extent that the latter could have a significant impact on the value or composition of the company's equity or stock price.

The Chairman's Committee met 5 times in 2013. Each meeting lasted approximately two hours.

### **3.10 CONTROL AND RISK COMMITTEE**

The Control and Risk Committee (formerly the Internal Control Committee) was formed by the Board of Directors in accordance with the 2011 update “Corporate Governance Code”<sup>19</sup> .

#### **Composition and role of the Control and Risk Committee (pursuant to art. 123-bis, par. 2, lett. d), TUF)**

The Control and Risk Committee is made up of three non-executive directors, the first two of whom are independent, in the persons of Elisabetta Gualandri, Chairman, Massimo Franzoni and Livia Salvini. As the Company is subject to the management and coordination of Coop Adriatica s.c.a r.l., who holds 43.568% of the Company's share capital, pursuant to Art. 2497 of the Italian Civil Code, it is subject to Art. 37, paragraph 1 d) of the Market Regulations, based on which the Internal Control Committee (now the Risk and Control Committee) must comprise only independent directors as defined in the Corporate Governance Code and in the same art. 37, paragraph 1 d). The Board of Directors, after having seen the *curricula* of the Committee members verified that director Andrea Parenti possesses adequate knowledge and experience in finance and with compensation policies.

Upon appointment, the Board of Directors examined the *curricula* of the independent director candidates verifying that they met at least one of the requirements in terms of experience in accounting and finance having worked at least three years as: (i) managers in administration, finance and control departments of joint stock companies, or (ii) professional activities or as confirmed university professors in law, economics or finance, or (iii) managers of public bodies or public administrations active in the banking, financial and insurance sectors.

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<sup>19</sup> Corporate Governance Code: Art 7.C.2



The Chairman of the Board of Directors attends the meetings of the Control and Risk Committee in his quality as Director in Charge of the Internal Control and Risk Management System, as does the Chairman of the Board of Statutory Auditors or another statutory auditor appointed by him, though the other statutory auditors may attend. The Vice Chairman of the Board of Directors and the Chief Executive Officer are also invited to attend Committee meetings.

In 2013 the Control and Risk Committee met eight times, on 24 January, 27 February, 9 May, 24 June, 7 August, 24 September, 7 November and 19 December. Minutes of the meetings were regularly taken.

Each meeting lasted an average of one hour and a half, with effective attendance of each member respectively of 100% for Chairman Elisabetta Gualandri, of 75% for Livia Salvini and of 63% for Massimo Franzoni.

The Chairman of the Board of Statutory Auditors attended 63% of the meetings of the "Control and Risk Committee".

### **Functions of the Control and Risk Committee**

The Control and Risk Committee provides the Board of Directors with a preliminary opinion regarding the execution of the following:

- a) definition of the guidelines for the Company's internal control and risk management system so that the risks faced by the Company and its subsidiaries are correctly identified, assessed, managed and monitored, while also determining the extent to which these risks are compatible with the correct management of the business and the strategic objectives identified;
- b) yearly evaluation as to the adequacy of the internal control and risk management system with respect to the type of business and risk profile, as well its efficacy;
- c) approval, at least yearly, of the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the director, Head of the Internal Control and Risk Management System;
- d) description of the main characteristics of the internal control and risk management system, providing its own evaluation as to the adequacy of the former ;
- e) evaluation, after having consulted with the Board of Statutory Auditors, of the findings of the external auditors in the letter of recommendations and the report on the main issues that emerged during the financial audit;
- f) appointment and suspension, as proposed by the Director in Charge of Control and Risk Management System and after having consulted with the Board of Statutory Auditors, of the Head of Internal Audit.

The Control and Risk Committee, in addition to assisting the Board of Directors on the matters above, also:

- assesses, along with the Financial Reporting Officer and after having consulted with the external auditors and the Board of Statutory Auditors, the appropriateness of the accounting standards adopted and, if Groups are involved, their uniformity with a view to the preparation of the consolidated financial statements;
- expresses opinions on specific aspects concerning the identification of business risks;
- examines the periodic reports in which the internal control and risk management system is evaluated, along with any particularly relevant reports prepared by internal audit.
- monitors the independence, adequacy, efficacy and efficiency of the internal audit function;
- may ask internal audit to carry out controls of specific operating units, while, at the same time, advising the Chairman of the Board of Statutory Auditors;

- reports to the Board of Directors at least every six months, when the annual and interim reports are approved, on the work performed and the adequacy of the internal control and risk management system.

The functions attributed to the Control and Risk Committee are not exhaustive and may be increased.

The Board of Directors ensures that the Control and Risk Committee receives adequate support in carrying out its duties.

During the meetings held in 2013 the Committee was involved primarily in the following activities:

- a. assessment, along with the Financial Reporting Officer, of the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;
- b. examination of the controls conducted by Internal Audit based on the work plan agreed upon which involved: finance, investments, treasury, accounts receivable, workplace safety, as well as controls of other specific items which include derivatives, sponsorships, and verification that the SIIQ requisites are still fulfilled.
- c. issue of a positive opinion with regard to the appointment of the Head of Internal Audit;
- d. examination of the results of the Enterprise Risk Management activities carried out in 2013;
- e. illustration of the 2014 audit plan, prepared by the Head of Internal Audit and based on the risk prioritization process that is part of risk management.
- f. The Company guarantees that the Control and Risk Committee will have the financial resources needed to fulfil its duties.

### **3.11 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Internal Control System consists in the set of rules, procedures and organizational structures designed to ensure that the business is run correctly and in line with the objectives agreed upon, through the proper identification, assessment and control of the primary risks facing the company with a view to creating medium/long term value for shareholders.

This system is part of the Company's overall organizational and corporate governance structure and reflects the reference models, as well as national and international best practices.

This internal control system helps guarantee the safeguarding of the company's assets, the efficiency and efficacy of the company's operations, the reliability of financial information, and compliance with laws and regulations, as well as the bylaws and internal procedures.

In 2012, as mentioned above, the Company approved a document referred to as the "Corporate Governance Rules" which strive, among other things, to identify the roles and the responsibilities that should be part of the risk management and internal control system and which reflect all the corporate governance practices and rules that the Company has adhered for some time, as well as the amendments made to the Corporate Governance Code in 2011.

The internal control and risk management system involves, to the extent of their expertise:

- i) the Board of Directors;
- ii) the Director charged with creating and managing an effective internal control and risk management system;
- iii) the Control and Risk Committee, as the voice of the Board of Directors, formed in accordance with the Corporate Governance Code which must support, after having received adequate information, the evaluations and decisions made by the Board of Directors relating to the internal control and risk management system, as well as the decisions relating to the approval of the periodic financial reports;

- iv) the Head of Internal Audit, charged with verifying that the internal control and risk management system is functional and adequate;
- v) the Financial Reporting Officer who, by law, is charged with establishing adequate administrative and accounting procedures for the preparation of financial documents and reports;
- vi) other roles and company divisions assigned specific duties relating to internal control and risk management based on the size, complexity and profile of the business risks (including, for example, the Supervisory Board created pursuant to Legislative Decree 231/2001);
- vii) the Board of Statutory Auditors which monitors the efficacy of the internal control and risk management system.

The Board of Directors ensures that the assessments and decisions made relating to the internal control system, the approval of the annual and half-year reports, as well as the relations between the Company and the external auditors are supported by an adequate exchange of information.

The Board of Directors, as part of its strategic supervision, defines the guidelines for the control systems in line with the Company's business risk previously determined by the Board<sup>20</sup>.

The Board, by law, must also periodically verify the adequacy of the control systems. Unforeseen events, however, may require further investigation in order to verify the efficacy of the controls in relation to particular situations<sup>21</sup> and the Board, therefore, is also responsible for the adoption of an adequate system in light of the business's characteristics.

Toward this end an efficient organization of the workflow is key to ensuring that any questions relating to internal control, in general, and risk management, in particular, are discussed with the Board after having been adequately briefed by the Control and Risk Committee.

In order to most effectively serve its control and risk management needs, as well as its complexity, its status as a listed company and business dynamics, IGD developed an integrated model for risk management which is in line with renowned international Enterprise Risk Management (ERM) standards. This "ERM" model helps top management to identify the primary risks to which the Company is exposed, how to manage them, as well as to define the risk management system. The main objective is to implement a systematic and pro-active risk management system capable of understanding the potential negative impact of risks in advance, take the necessary steps to control them, as well as continuously monitor the different exposures.

Thanks to the Enterprise Risk Management project completed by IGD, a systematic management system was implemented which makes it possible for the Group and top management to identify, measure and assess strategic, operational, financial and compliance risks.

The risk management system adopted is constantly updated and developed by management in order to ensure that it is adequate in light of changes in the organizational structure or business. The methods used as part of the Group's ERM system call for the following periodic activities: (i) verification and/or update of the risk map, in light of the Company's strategies and the organizational and business models; (ii) confirmation as to the efficacy of the risk assessment model used and its appropriateness given the Company's organizational structure, business and strategies; (iii) analysis of the risks identified, the organization of the risk management personnel and the risk control measures used; (iv) assessment of the risks to which Group companies are exposed; (v) identification of the "risk indicators", which make it possible to identify and assess the impact that the risks under examination could have on the company's performance; (vi) assessment of the level of risk coverage based on the control mechanisms used; (vii) prioritization of the risks and the steps to be taken; (viii) risk tolerance analysis in accordance with the instructions received from the Group's top management; (ix) definition of the management and control strategies and assignment of responsibilities; (x) monitoring implementation of the system and related activities over time.

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<sup>20</sup> Comment - Art. 7 Corporate Governance Code

<sup>21</sup> Comment - Art. 7 Corporate Governance Code

In 2013 the Group continued to implement and develop the ERM system by adopting methods and operative tools which make it easier to better assess risk, as well as to monitor the system on the basis of a risk assessment plan. More in detail, the project called for the implementation of the risk analysis template (Tableau De Bord) structured in 2012 based on Key Risk Indicators which are used to better assess the possible impact of the risks identified during the Risk Assessment performed in 2010 and updated in 2012 and 2013.

More in detail, the risk analysis template above provides for the calculation of key risk indicators for the key risks identified during the risk assessment phase in order to understand the impact on the core business, how the control systems should be implemented and developed, along with any improvements that might be needed: the identification of these indicators also makes it possible to predict what could happen if the level of risk should change, calculate the economic and financial impact, as well as monitor the performance.

A specific working group was formed in order to carry out the activities listed above.

In 2013 the Company continued with the risk assessment activities in order to update risk assessment in general, understand how to better mitigate risk, establish a new ranking of the risks identified and determine a risk management strategy which reflected these activities. IGD also monitored "key risks" (more in detail: credit risk - consortiums of IGD shopping centers, the risk that the global market conditions and the competitive environment could change, the risk that assets could lose value, and the risk that contracts executed do not protect the company enough), in order to better understand how to apply the risk controls and find any areas that could be improved or changed.

The internal controls implemented in relation to the financial reporting process play an important part in the general process used to identify and assess areas of the Group's business risk and to develop an internal control system that best controls these business risks.

The ERM model should not, therefore, be considered separately from the internal controls implemented in relation to the financial reporting process, insofar as both are part of IGD's overall internal control systems.

In this regard, it is noted that the preparation of the yearly and interim financial reports and, in particular, to the identification of the principle risks facing IGD and the Group, are strictly linked to the Enterprise Risk Management systems used by the Company and the Group to identify, assess and mitigate business risk.

#### **Main features of the existing internal control and risk management systems in relation to the financial reporting process**

With regard to the internal controls implemented in relation to the financial reporting process, in prior years IGD has undertaken to comply with Law 262/05 by updating the accounting and administrative control models and has also executed the controls necessary to support the Financial Reporting Officer's certification process.

The above mentioned accounting and administrative control system represents the set of rules, procedures and internal tools used by the Company to ensure the reliability, accuracy, and timeliness of financial reporting.

The methods used by the Financial Reporting Officer in the development of the accounting and administrative control system are those described in specific guidelines drafted in this regard which are in line with the recommendations for the Financial Reporting Officer found in the guidelines issued by ANDAF.

The internal control system implemented in relation to IGD's financial reporting process involves the following activities:

- Identification of the perimeter of the relevant administrative-accounting processes;
- Assessment of the risk management and administrative-accounting control processes;
- Identification and implementation of any needed improvements;
- Definition of the administrative-accounting control system;
- Verification as to the functioning of the controls.

As part of the yearly and half-yearly financial reporting process, in order to understand the principal risks to which IGD and the Group are exposed, the Financial Reporting Officer works with the parties involved in the Company's and the Group's Enterprise Risk Management system (the working group initially dedicated to the launch of the ERM system) in order to identify and assess business risks.

The activities listed above are described in greater detail below.

#### **Identification of the perimeter of the relevant administrative-accounting processes**

This activity involves defining the perimeter of the Group and Group company processes to be controlled. Quantitative and qualitative parameters are used to assess the risks and the administrative-accounting controls based on the impact that the different items have on the financial statements.

This perimeter is constantly reviewed each year by the Company to determine if any changes are needed, including with regard to the companies doing business in Romania. Another review of the perimeter was made in order to update the administrative-accounting controls in light of changes in the Group's organizational structure and business.

This scoping phase calls for a multi-year plan based on which the processes, risks and administrative-accounting controls are reviewed.

#### **Assessment of the processes, risks and administrative-accounting controls**

This activity involves assessing the financial reporting control system used with regard to each item, process and transaction in order to effectively mitigate the risks linked to the administrative-accounting process.

The approach used takes into account the margin for error, as well as the risk that fraudulent acts may occur, by providing for controls and verifications of this type of risk which are coordinated with the controls implemented as part of the entire internal control system.

The approach used also takes into account both manual and IT system controls which include automatic controls incorporated into applications, as well as the general IT controls that regulate system access, systems development and the adequacy of the IT structures.

Based on the multiyear plan referred to above, the assessment of the processes pertaining to Group companies was prioritized. More in detail, the analyses of the processes used to identify and control risks continued as part of the risk assessment and the scoping reviews conducted pursuant to Law 262/05. The Financial Reporting Officer constantly monitored the adequacy of the controls implemented and, if necessary, took corrective action.

#### **Definition of the administrative-accounting system**

Based on the results of the assessment of the processes, risks and controls, the Company then defines or updates the administrative-accounting procedures and guarantees their adequacy with respect to the internal control system by monitoring the different phases of the process used to update or define each procedure. The administrative-accounting procedures are defined and implemented on the basis of a plan; the Company also standardized the administrative-accounting procedures used by the Romanian companies.

#### **Verification of the administrative-accounting procedures**

The administrative-accounting procedures are continuously monitored; toward this end specific checks are programmed in order to ensure that the administrative-accounting procedures and the relative controls have been correctly implemented. These controls are made of the entire perimeter of the companies active in Italy, with the support of Internal Audit, as well as in Romania.

Furthermore, pursuant to Consob Recommendation n. DIE/0061944 of 18/7/2013, relating to fair value measurement of real estate assets of listed real estate companies, on 19/12/2013 the Company's Board of Directors approved a specific corporate procedure, "Fair Value Measurement of Real Estate Assets".

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During the year, based on the evaluation of the Control and Risk Committee and the Director in Charge of Internal Control and Risk Management, the work done by the Financial Reporting Officer and the Internal Audit report, the Board evaluated the adequacy, efficacy and functioning of the internal control and risk management system.

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

During the meeting held on 8 November 2012 the Board of Directors, in light of the changes linked to the new Corporate Governance Code, called upon the Chairman of the Board of Directors to act as the Director in Charge of the Internal Control and Risk Management System who, following this assignment, is considered an executive director. Previously, the executive director in charge of the internal control system had been the Chief Executive Officer.

In particular the director in charge of internal control and risk management has the following duties:

- a) identification – working with the Chief Executive Officer to the extent necessary - of the main business risks of the Company and its subsidiaries, and periodically submitting same to the Board of Directors for examination;
- b) execution of the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying their overall adequacy, efficacy and efficiency;
- c) report periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the overall management of the control system, its functioning and implementation of proposed measures;
- d) adapt this system to any change in operating conditions, the law or regulations;
- e) may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures in the execution of corporate transactions, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results;
- f) inform the Board of any problems encountered while carrying out the activities referred to so that the Board of Directors may adopt the necessary measures.

### **3.11.02 HEAD OF INTERNAL AUDIT**

In 2012 the Board of Directors, based on the proposal of the Director in Charge of the Internal Control and Risk Management System subject to the favourable opinion of the Board of Statutory Auditors, resolved to appoint the company Unilab to act as Head of Internal Audit in outsourcing. The Company confirmed that Unilab will carry out the assignment for both 2013 and 2014 and determined the compensation.

More in detail, the Head of Internal Audit:

- a) verifies, continuously, as well as when specific needs arise and in accordance with international standards, the functioning and adequacy of the internal control and risk management system, based on an audit plan, prepared by the Head of Internal Audit and approved by the Board of Directors based on a structured analysis and prioritization of the main risks;
- b) is not responsible for any operational areas and reports directly to the Board of Directors;
- c) has direct access to all the information needed to carry out the assignment;

- d) prepares periodic reports containing adequate information regarding the activities, how risk management is carried out, as well as the status of the plans defined. The periodic reports contain an evaluation as to the adequacy of the internal control and risk management system;
- e) prepares reports about important events in a timely manner;
- f) provides the above reports to the Chairman of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as the Director in Charge of the Internal Control and Risk Management System (i.e. the Chairman of the Board of Directors);
- g) verifies, as part of the audit plan, the reliability of the IT accounting systems.

The Head of Internal Audit coordinates the ERM process, ensuring that the Chief Executive Officer, the Control and Risk Committee and, when requested, the Board of Directors, are provided with progress reports.

### **3.11.03 DECREE 231/2001 ORGANIZATIONAL MODEL**

In 2006 the Board of Directors approved adoption of the Organizational Model, as subsequently amended, which further strengthened the internal control system. In 2013 the Company, as new crimes were added to those for which the Company could be found liable, mapped the core business activities at risk and, consequently, updated the Model and provided employees and management with training in this regard.

The Organizational Model seeks to ensure that the system complies with Decree 231/2001 based on which companies were made administratively responsible in criminal proceedings for certain types of crimes committed by top managers and subordinates and is based on the standards and procedures described below.

The Organizational Model includes the following:

- a. mapping of the activities at risk based on the information gathered regarding IGD's activities and organizational structure;
- b. the Ethical Code, which formulates the general principles (diligence, honesty and fairness) inspiring the conduct of business;
- c. internal control mechanisms monitoring areas at risk;
- d. the disciplinary system which enforces the Model's rules;
- e. the Supervisory Board which is charged with monitoring the effectiveness, adequacy and compliance with the Model.

The Supervisory Board may act independently and must ensure that the Model is constantly updated.

The Supervisory Board also provides the Board of Directors with information regarding the changes that need to be made to the Model in order to comply with norms and regulations and to reflect the business operations.

The Supervisory Board reports to the Chairman of the Board of Directors and the Board of Statutory Auditors on a periodic basis and to the Board of Directors every six months.

Please note that the Company's internal audit, carried out by the company Unilab, provides the support necessary for the management and analysis of the information generated pursuant to Art. 6, par. 2, lett. d) of Legislative Decree 231/01, as well as for the execution of specific audits deemed necessary based on the information gathered.

The Supervisory Board, renewed on 19 April 2012, is currently made up of independent director Fabio Carpanelli, who serves as chairman, and by independent directors Aristide Canosani and Livia Salvini.

In 2013 the Supervisory Board met 4 times on 27 February, 12 June, 17 September and 7 November, with attendance reaching 100% for all members. The Model is also available on the company's website <http://eng.gruppoigd.it/Governance/The-Organizational-Model>.

### **3.11.04 EXTERNAL AUDITORS**

The activities related to financial audit are carried out by a company selected by the shareholders from among those listed in Consob's specific roll.

On 16 September 2004 the shareholders granted the company Reconta Ernst&Young the assignment, which was subsequently renewed on 23 April 2007, for the financial audit of separate and consolidated annual and half-yearly financial statements for the period 2006-2014. The assignment was granted on the basis of a detailed analysis of the motivated opinion submitted by the Board of Statutory Auditors in accordance with current norms and regulations.

During the Annual General Meeting held on 18 April 2013 shareholders resolved to grant the financial audit assignment to the firm PricewaterhouseCoopers S.p.A.. for the period 2013-2021 in accordance with current laws, the motivated opinion submitted by the Board of Statutory Auditors, and a detailed analysis of costs and expertise.

The fees paid the external auditors for the financial audit of IGD's separate and consolidated financial statements at 31 December 2013 can be found in the notes to the separate and consolidated financial statements.

### **3.11.05 FINANCIAL REPORTING OFFICER**

In compliance with art. 154-bis of TUF and Article 23.5 of the bylaws, the Board of Directors must appoint a Financial Reporting Officer, subject to the unbinding opinion of the Board of Statutory Auditors, who has matured at least five years of experience in a) administrative or control activities and who has had a supervisory role in companies or entities with assets of not less than €10 million, or b) professional activities, including as part of audit functions, strictly connected to business activities and functions that the officer is called up to perform.

In July 2007, the Board of Directors appointed Grazia Margherita Piolanti as the Financial Reporting Officer for an indefinite period and invested her with responsibilities, powers and means.

The Financial Reporting Officer has access to adequate administrative and accounting procedures in order to draft the separate and, where provided for, the consolidated financial statements, as well as all other financial documents.

The Board of Directors must ensure that the Financial Reporting Officer is granted the organizational and operational power and means needed to carry out the duties assigned herein.

The Financial Reporting Officer must provide a written declaration which accompanies the announcements made by the Company to the market, as well as the interim and financial reports, attesting that the information contained reflects the underlying records, ledgers and accounting entries.

The Financial Reporting Officer, along with the executive officer (s) must provide a report on the separate and consolidated (if prepared) yearly financial statements and on the half year report attesting that the administrative and accounting procedures used to prepare the separate and financial statements are adequate in light of the characteristics of the Company's business.

The Financial Reporting Officer must also attest that the separate and consolidated financial statements:

- a) are drawn up in accordance with the international accounting standards recognized by the European Union pursuant to the Regulation 1606/2002/EC;
- b) correspond to the ledgers and accounting entries;



- c) provide fair and truthful disclosures of the company's income statement, balance sheet and financial positions and the companies included in the scope of consolidation.

Lastly, the Financial Reporting Officer, along with the deputized bodies, must attest that the directors' report accurately depicts the operating performance and results of both the Company and the businesses included in the scope of consolidation, as well as the principle risks and uncertainties to which they are exposed.

### **3.11.06 COORDINATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM PERSONNEL**

In order to facilitate coordination of the control activities, the Company deemed it useful and opportune to outline the methods of operation as described below.

The Chairman of the Board of Statutory Auditors will call a meeting with the Chairman of the Control and Risk Committee with the frequency agreed upon and at least once a year to discuss the results of their respective control activities, to evaluate planning and the possible coordination of their respective activities. Toward this end, the Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.

Other parties may be invited to attend the meetings which, in addition to periodically, may be called anytime there is a specific need and may include, in addition to the respective committees and bodies, including not as a group, the Director in Charge of the Internal Control and Risk Management System, the Head of Internal Audit, the Financial Reporting Officer, and the Chairman of the Supervisory Board.

In 2013 one meeting was held on 27 February 2013 and was attended by the entire Control and Risk Committee, the Chairman of the Board of Statutory Auditors, the Internal Audit, the Lead Independent Director, the entire Supervisory Board, a partner of the external audit firm, the Chief Executive Officer and the Financial Reporting Officer.

The Chairman of the Control and Risk Committee and the Director in Charge of the Internal Control and Risk Management System meet with the Head of Internal Audit :

- (i) to examine the yearly work plan in advance and suggest any changes that might need to be made with regard to the control activities scheduled by the Committee;
- (ii) to receive and discuss the results of the activities carried out by the Head of Internal Audit, suggesting any other initiatives that might be called for.

The Chairman of the Supervisory Board meets periodically, at least once every six months, with the Head of Internal Audit: (i) to examine the yearly work plan in advance and suggest any changes that might need to be made with regard to the control activities scheduled by the Supervisory Board; (ii) to receive and discuss the results of the activities carried out by the Head of Internal Audit, suggesting any other initiatives that might be called for.

Other meetings may be held in addition to the meetings referred to above with the parties listed in this report who are involved in control functions and may be called by the respective Chairmen of the bodies referred to, including together.

### **3.12 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

With regard to the transactions with related parties, as of 1 January 2011 the Company applied the "Procedure for Related Party Transactions" approved on 11 November 2010 by the Board of Directors, subject to the

favorable opinion of the Committee for Related Party Transactions, pursuant to Art. 2391-*bis* of the Italian Civil Code and Art. 4, paragraphs 1 and 3, of Consob's Regulations for Related Party Transactions. The Company's Board of Statutory Auditors also verified that the procedure approved by the Board of Directors complied with the Consob Regulations.

The purpose of the "Procedure for Related Party Transactions" is to define the rules governing the approval and execution of related party transactions entered into by the Company, directly or through its subsidiaries, in order to ensure the transparency, as well as the substantive and procedural fairness of the transaction.

The term "Related Party" is defined explicitly in the Regulations, as per IAS 24, with marginal adjustments in order to ensure that the perimeter of related parties and related transactions is correctly determined. In order to maintain consistency in the financial statements, the Company decided to apply the Procedure to the subsidiaries of the company which exercises a significant influence over IGD, pursuant to Art. 4, par. 2, of the Regulations.

Related party transactions are transactions in which there is a transfer of resources, services or obligations between one or more related parties, regardless of whether a price is charged.

The Regulations distinguish between:

**Material related party transactions** (including cumulatively): one in which at least one of the following Consob materiality ratios has a value of 5% or more:

- (i) transaction materiality ratio: this is the ratio between the amount of the transaction and the higher of the amount of equity IGD SIIQ's capitalization;
- (ii) assets materiality ratio: the ratio between the total assets of the entity involved in the transactions and IGD SIIQ's total assets;
- (iii) liabilities materiality ratio: the ratio between acquired entity's total liabilities and IGD SIIQ's total assets.

**Less material related party transactions**, which includes all the other transactions.

The Regulations establish the criteria to be used in approving the material and less material transactions:

- the Committee for Related Party Transactions and the body involved in the approval of the transaction must be provided with complete and adequate information in a timely manner prior to approval;
- the Committee for Related Party Transactions may, at the expense of the Company, avail itself of independent experts;
- a statement attesting to the fact that the transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct must be included in the minutes, when recorded.
- the Board of Directors and the Board of Statutory Auditors must be informed as to the status of the transactions at least on a quarterly basis.

Furthermore, pursuant to and in accordance with the Regulations, the Procedures for Related Party Transactions also includes a list of the transactions which are not governed by the Regulations (with the exception of certain disclosure requirements) and which include:

1. immaterial transactions (below the amount indicated in the Company's Procedure).
2. resolutions relating to remuneration of directors holding particular offices (Chairman, Chief Executive Officer, committee members) and under certain conditions (i.e. if the company's compensation policy calls for the involvement of the Compensation Committee).
3. compensation packages based on financial instruments approved by the shareholders pursuant to Art. 114-*bis* of TUF.

4. routine transactions concluded in accordance with market equivalent or standard conditions (i.e. service contracts).
5. transactions with or between subsidiaries and associate companies (when the transaction does not correspond to a material interest of other related parties, without prejudice to any periodic accounting information provided).

The Company formed the Committee for Related Party Transactions in accordance with Art. 2391-*bis* of the Italian Civil Code and Art. 4, paragraphs 1 and 3, of Consob's Regulations for Related Party Transactions.

The Committee for Related Party Transactions is comprised of three independent directors: Riccardo Saladini, also appointed Chairman, Giorgio Boldregghini and Andrea Parenti, appointed by the Board of Directors on 19 April 2012. The Committee's functions are governed by the Procedures for Related Party Transactions approved by the Board of Directors on 11 November 2010 and summarized below.

The Committee for Related Party Transactions met three times in 2013 on 26 February, 17 April and 7 November. All members were in attendance. Each meeting lasted approximately one hour.

The Committee for Related Party Transactions with regard to

- less material transactions, will issue a non-binding opinion regarding the company's interest in completing the transaction, its fairness and procedural correctness;
- material transactions, without prejudice to the transactions subject to a Board of Directors' resolution, will issue a binding opinion. Furthermore, the Committee for Related Party Transactions, or who on its behalf, will be involved in the preliminary phases (by receiving the information distributed) and the negotiations and is entitled to request information and share comments with the parties involved in the negotiations of this type of transaction. Once the preliminary phases are terminated, the Committee for Related Party Transactions must issue, in a timely manner, a favorable, binding opinion attesting to the fact that the transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct. In order to formulate its opinion, if deemed necessary and opportune, the Committee for Related Party Transactions may avail itself of one or more independent experts of its choosing. The experts chosen by the Committee must be recognized professionals, experts in the subject matter involved and proven to be without any conflict of interest with regard to the transaction. In the event the Committee is not in favour of the transaction, and if so provided in the bylaws, the Board may, at any rate, proceed with the transaction as long as it is approved by the shareholders. In this instance and whenever the Board of Directors intends to submit a material transaction to the shareholders for approval despite the negative opinion issued by the Committee for Related Party Transactions, the transaction may not be completed in the event a majority of non-related shareholders vote against the transaction, as long as said shareholders represent at least 10% of the share capital with voting rights.

In accordance with Consob's recommendation (Bulletin n. DEM/10078683 of 24 September 2010) that the procedure for related party transactions be renewed every three years, during the Board meeting held on 7 November 2013 the Company, taking into account the experience matured by the Company in the three year period 2010 - 2013 in the application of this type of procedure, as well as the opinion of the Committee for Related Party Transactions, resolved in favour of the Procedure for Related Party Transactions adopted by the Company on 11 November 2010 deeming it effective in ensuring the substantive and procedural fairness of the transactions with related parties.

The procedure described above can be found on the Company's website

<http://eng.gruppoigd.it/Governance/Committees/Committee-for-related-party-transactions>

### 3.13 APPOINTMENT OF THE STATUTORY AUDITORS

Pursuant to Art. 26.2 of the Bylaws, members of the Board of Statutory Auditors are elected on the basis of preference lists that must be filed at the registered office along with declarations in which each candidate states that he/she is not in violation of the limits for multiple assignments provided for under the law, as well as detailed information about each candidate's personal and professional background, at least twenty days in advance of the shareholders' meeting called for this purpose. The lists may be submitted by the shareholders or groups of shareholders holding the interest specified in Consob regulations (for 2014 equal to 2.5% of the Company's share capital).

The composition of the current Board of Statutory Auditors complies with the current law relating to gender equality insofar as the Company already amended its bylaws to reflect the provisions of Law 120/2011 during the Annual General Meeting held on 19 April 2012, and as resolved during the Annual General Meeting held on 18 April 2013. More in detail, during the AGM held on 18 April 2013 shareholders approved the introduction of a runoff voting mechanism which guarantees compliance with the laws governing gender equality in the appointment of the Board of Statutory Auditors based on vote listing.

In light of the bylaw amendments above, the appointment and substitution of the standing and alternate auditors pursuant to Art. 26.9 must be done in such a way as to guarantee that the composition of the Board of Statutory Auditors complies with the current law relating to gender equality.

Toward this end, please note that the provisions relating to the composition of the administrative and control bodies, contained in the above mentioned Law 120/2011, include a specific temporary norm calling for the gradual application of the law and that for the first mandate at least one fifth of the directors and statutory auditors should be of the least represented gender.

According to Art. 26 of the bylaws, the following procedure applies to the appointment of the Board of Statutory Auditors:

- from the list obtaining the highest number of votes, two standing auditors and one alternate auditor will be taken in the order in which they appear on the list;
- the third standing auditor and the second alternate auditor are drawn from the list with the second highest number of votes, in the order in which they appear.
- In the event the composition of the Board of Statutory Auditors fails to comply with the law relating to gender equality as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the missing standing and alternate statutory auditors of the least represented gender with the majority of votes required by law.

In the event of a tie between lists, a new ballot is held between these lists on which all shareholders present at the meeting shall vote. The candidates on the list winning a simple majority of votes are elected in such a way, however, as to ensure that the composition of the Board of Statutory Auditors complies with the current law relating to equal gender opportunities.

The first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.

Candidates for statutory auditor must meet the requirements set by law. For the purposes of judging the qualifications of those with at least three years' experience in:

- (a) professional activities or as confirmed university professors in law, economics, finance or technical-scientific subjects closely related to the Company's business;

(b) management roles at public bodies or public administrations in sectors closely related to the Company's business, the following rules apply:

- all subjects per letter a) above that are associated with the real estate business or other sectors pertaining to real estate are considered to be closely related to the Company's business;
- sectors pertaining to real estate are those in which the parent companies operate, or those that may be controlled by or associated with companies operating in the real estate business.

Those whose situations are incompatible with the title and/or who do not satisfy the requirements of integrity and qualification established by law, and those who are standing auditors at more than five companies listed on official Italian markets, may not be elected as statutory auditors and, if elected, lose office. Positions held at parent companies, subsidiaries, or affiliates do not apply.

With regard to the Chairman of the Board of Statutory Auditors, pursuant to Art. 148, par. 2 bis, TUF, as amended by the Uniform Savings Act, the former was appointed by the Shareholders' Meeting from the minority list of candidates, in accordance with Articles 26.4 and 26.5 of the bylaws and the current norms and regulations based on which the first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.

### **3.14 COMPOSITION AND ROLE OF THE BOARD OF STATUTORY AUDITORS (pursuant to Art. 123-bis, paragraph 2 (d) of TUF)**

The current Board of Statutory Auditors appointed during the Annual General Meeting held on 19 April 2012, is comprised of three standing and two alternate auditors in the persons of: Romano Conti (Chairman), Roberto Chiusoli (standing auditor), Corsi Pasquina (standing auditor), all majority list candidates, Isabella Landi (alternate auditor) and Monica Manzini (alternate auditor), both majority list candidates. No minority lists were presented.

The above mentioned list received 67.885% of the votes cast.

The personal characteristics and professional experience of the single members of the Board of Statutory Auditors are provided below.

#### **Romano Conti**

Born in Bologna on 27 August 1948, Mr. Conti received a degree in business economics from the University of Bologna. He is a Chartered Public Accountant and partner of Associazione Professionale Studio Gnudi, with which he has worked since the firm's inception. He is a financial auditor and provides tax planning advisory services relating to national accounting standards and tax related litigation. He is an associate of the firm ACB Group S.p.A., a consultancy based in Milan. He is a Director of Bologna's Order of Chartered Public Accountants and Accounting Experts. He also holds the assignments listed in Table 5.

#### **Roberto Chiusoli**

Born in Bologna, on 15 September 1964, Mr. Chiusoli received a degree in business economics from the University of Bologna. He is a Chartered Public Accountant, registered with Bologna's Role of Chartered Public Accountants and Accounting Experts since 1992, and a Certified Auditor. From 1989 through 1991, he worked in the tax division of a firm that provided legal and tax advisory services. From 1991 to 1996, he worked with Uniaudit S.p.a. auditing and certifying financial statements and ultimately was the head of tax audit. In the same sector, he worked with the financial audit firm Reconta Ernst & Young on the audit and certification of financial statements. As of 16 September 1996 Mr. Chiusoli is part of Legacoop Bologna where he is head of the tax assistance bureau. He is the coordinator of the fiscal services for Legacoop Emilia - Romagna. He is a member of the control bodies of several joint stock companies. He also holds the assignments listed in Table 5.

## **Pasquina Corsi**

Born in Piombino (LI) on 8 February 1957. Ms. Corsi received a diploma from the Piombino Commercial Technical Institute in 1976. She then worked to become an accredited bookkeeper and accountant in 1995. She is registered with the Role of Chartered Public Accountants and Accounting Experts in the province of Livorno and is active professionally in Campiglia Marittima (LI). She is also a registered financial auditor. Ms. Corsi has been a member of the Audit Board of some municipalities. Ms. Corsi is Chairman of the Board of Statutory Auditors of Ipercoop Tirreno Spa and a standing auditor of I.S.C. S.p.A. She also holds the assignments listed in Table 5.

The statutory auditors were appointed on the basis of a list system for three years, through the date on which the Annual General Meeting is called to approve the financial statements for the year ending on 31 December 2014.

In 2013 the Board of Statutory Auditors met 5 times on 13 February, 26 March, 9 May, 1 August and 4 November with attendance reaching 100% for all members. Each meeting lasted an average of 2 hours.

A few meetings were also held with, in particular, Company management, representatives of the external audit company, as well as the Control and Risk Committee (formerly the Internal Control Committee).

The Board of Statutory Auditors verified that its members qualify as independent under the Corporate Governance Code and TUF. This verification was made after the appointment and will be carried out each year.

The Board of Statutory Auditors supervises the work of the external auditors.

Furthermore, shareholders grant the assignment to the external auditors on the basis of the motivated opinion submitted by the Board of Statutory Auditors.

Pursuant to Art. 19 of Legislative Decree n. 39/2010, the Board of Statutory Auditors also acts as the Committee for Internal Control and Financial Audit.

The statutory auditors, including individually, may carry out inspections and controls, as well as request that the Directors provide them with information about subsidiaries, about the status of corporate transactions or specific issues, or refer these requests directly to the subsidiaries' administrative and control bodies. The statutory auditors may ask the Head of Internal Audit to carry out audits of specific operating divisions or corporate transactions.

The Board of Statutory Auditors reports on its supervisory activities and any findings to the Annual General Meeting called to approved the full year financial statements in accordance with Art. 2364, paragraph 2, of the Italian Civil Code.

The statutory auditors may also submit proposals to the Annual General Meeting relating to the full year financial statements and their approval, as well as to other matters that they are responsible for.

The Board of Statutory Auditors(at least two statutory auditors), after having notified the Chairman of the Board of Directors, can call the Shareholders' Meetings, meetings of the Board of Directors and, if instituted, the Executive Committee.

The Board of Statutory Auditors, the external auditors, the Control and Risk Committee, as well as all the other entities involved in the supervision of the control systems, will exchange information about the execution of their assignments in a timely manner.

The Board of Statutory Auditors is, at any rate, invited to be proactive and not only reactive in its supervision. The Statutory Auditors should advise the Board of Directors as to the results of its controls so that the latter might implement any corrective measures needed.

The Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.

The names of the statutory auditors in office are shown in Tables 3.

### **3.15 RELATIONS WITH SHAREHOLDERS**

The Board of Directors appointed an Investor Relations Manager, and set up a dedicated unit and a section on the Company's website <http://eng.gruppoigd.it/Investor-Relations> .

In order to guarantee that the Shareholders' Meetings are conducted in an orderly fashion, during the Shareholders' Meeting held on 26 March 2003, shareholders approved the current Regulations for Shareholder Meetings, subsequently updated, which are available on the corporate website at <http://eng.gruppoigd.it/Governance/Shareholders-Meetings> .

### **3.16 SHAREHOLDERS' MEETINGS (EX ART. 123-BIS, COMMA 2, LETTERA C) TUF)**

Pursuant to Art. 10.3 of the bylaws, the protocol for shareholders' meetings is formalized in a set of Regulations, approved by the shareholders in ordinary session.

Regulations governing the attendance and the exercise of voting rights at Shareholders' Meetings have at first been changed pursuant to Legislative Decree n. 27 of 27 January 2010, (the "D. Lgs. 27/2010"), in implementation of EC directive 2007/36/EC relating to shareholders' rights, and recently updated with Legislative Decree n. 91 of 18 June 2012, n. 91. Partial integration of D. Lgs. 27/2010 in the Company's bylaws was approved by the Board of Directors on 13 December 2010, pursuant to Art. 2365, para. 2, of the Italian Civil Code and Art. 22.1(ii) of the bylaws.

In accordance with the law, the Shareholders' Meetings are convened as per the notice published on the Company's website and in at least one national daily newspaper.

Under Art. 125-bis TUF the notice of call must be published at least 30 days prior to the day in which the Shareholders' Meeting is to be held. The timeframe is different when the Shareholders' Meetings are called to (i) appoint members of the corporate bodies (i.e. 40 days prior to the day in which the Shareholders' Meeting is to be held); (ii) resolve on takeover bids (i.e. 15 days prior to the day in which the Shareholders' Meeting is to be held); and (iii) resolve on reducing share capital and appoint a liquidator (i.e. 21 days prior to the day in which the Shareholders' Meeting is to be held).

Pursuant to Art. 12.2 of the bylaws, in order to attend and vote at the Shareholders' Meetings, shareholders must provide the Company with the certification issued by a licensed intermediary indicating the shareholdings recorded as of the seventh trading day prior to the date set for the Shareholders' Meeting in first call (the record date). Under Art. 83-sexies TUF, any movements in the shareholdings subsequent to this period will not be considered for the purposes of voting rights.

Pursuant to Art. 13 of the bylaws, those in possession of voting rights may be represented via a written proxy submitted in accordance with the law. The proxy may also be made by submitting a request with an electronic signature as per art. 21, paragraph 2, of Legislative Decree n. 82 dated 7 March 2005, n. 82, as well as by accessing a specific section on the Company's website and via certified e-mail submitted in accordance with the procedures indicated in the notice of call.

Shareholders may submit questions relating to the items on the agenda prior to the Shareholders' Meeting. The questions received prior to the Shareholders' Meeting will be answered, at the latest, during the meeting itself. The deadline for submitting questions to the Company prior to the Shareholders' Meeting is indicated in the notice of call. This deadline cannot be less than three days prior to the date of the Shareholders' Meeting or five days if it is indicated in the notice of call that the Company will answer the questions received prior to the Shareholders' Meeting. In this case the answer will be provided at least two days prior to the Shareholders'

Meeting including via a specific section of the Company's website. No answer is required when the information requested is available in a specific Q&A section of the Company's website.

The current Regulations for Shareholder Meetings are designed to guarantee that the Shareholders' Meetings are conducted in an orderly fashion and in full respect of the rights of each shareholder to request clarifications in relation to certain issues being discussed, to express opinions and submit proposals.

### **3.17 ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis, par. 2, lett. a) TUF)**

The Company adopted the Decree 231 Organizational Model as described in more detail in paragraph 3.10.03, to which you should refer.

### **3.18 SUBSEQUENT CHANGES**

No changes took place in the corporate governance structure following the end of the year.

#### **ATTACHMENTS**

Table 1; "Information on the ownership structure"

Table 2 "Structure of the Board of Directors and Committees" as at 31 December 2013

Table 3 "Structure of the Board of Statutory Auditors" as at 31 December 2013

Table 4 "Offices held by the directors at 31.12.2013"

Table 5: "Offices held by the statutory auditors at 31.12.2013"



**TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE**

<b>SHARE CAPITAL STRUCTURE</b>				
	N. of shares	% of share capital	Listed (indicate which markets) / not listed	Rights and obligations
Ordinary shares	348,001,715	100%	Listed on the electronic stock market (MTA) organized and managed by Borsa Italiana S.p.A. - STAR segment	-
Shares with limited voting rights	-	-	-	-

**SIGNIFICANT INTEREST IN SHARE CAPITAL BASED ON COMMUNICATIONS EX ART. 120 T.U.F.**

Declarant	Direct shareholder	% of ordinary capital	% of voting capital
Coop Adriatica	Coop Adriatica	43.568	43.568
Unicoop Tirreno	Unicoop Tirreno	14.933	14.933
IGD SIIQ SpA	IGD SIIQ SpA	3,549*	3,549*
SCHRODER INVESTMENT MANAGEMENT LTD	SCHRODER INVESTMENT MANAGEMENT LTD	2.024	2.024

\* Based on the share capital at the date of this Report, the no. 10,976,592 treasury shares held by the company represent 3.154% of the share capital

**TABLE 2 “STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES”**

Board of Directors										Control and Risk Committee		Nominations and Compensation Committee		Lead Independent		Chairman's Committee		Supervisory Board		Committee for related party transaction	
Office	Members	In office since****	In office until	List (M/m) -	Exec.	Non exec.	Indep. As per the code	Indep. Under TUF	(%) **	N. of other appointments***	***	**	***	**	***	**	***	**	***	**	
Chairman	Coffari Gilberto	6/11/2000	Approval of financial statements at 31/12/2014	M	x				100%	4							x	100%			
Vice-Chairman	Costalli Sergio	Director since 28/03/2013 - Vice-Chairman since 10/04/2003	Approval of financial statements at 31/12/2014	M		x			50%	5							x	100%			
Chief Executive Officer	Albertini Claudio	Director since 28/04/2006 - Chief Executive Officer since 30/04/2009	Approval of financial statements at 31/12/2014	M	x				100%	6							x	100%			
	Zamboni Roberto	20/09/1999*	Approval of financial statements at 31/12/2014	M		x			63%	10							x	40%			
	Caporioni Leonardo	28/4/2006	Approval of financial statements at 31/12/2014	M		x			50%	10											
	Pellegrini Fernando	26/3/2003	Approval of financial statements at 31/12/2014	M		x			50%	2											
	Canosani Anside	26/3/2003	Approval of financial statements at 31/12/2014	M		x			100%	3								x	100%		
	Carpanelli Fabio	16/9/2004	Approval of financial statements at 31/12/2014	M			x	x	100%	4			x	100%	x	0%			x	100%	
	Franzoni Massimo	26/3/2003	Approval of financial statements at 31/12/2014	M			x	x	38%	2	x	63%			x	0%					
	Gualandri Elisabetta	19/4/2012	Approval of financial statements at 31/12/2014	M			x	x	100%	2	x	100%			x	100%					
	Parenti Andrea	23/4/2009	Approval of financial statements at 31/12/2014	M			x	x	88%	19			x	100%	x	100%				x	100%
	Sabadini Riccardo	16/9/2004	Approval of financial statements at 31/12/2014	M			x	x	100%	0					x	100%				x	100%
	Boldreghini Giorgio	23/4/2009	Approval of financial statements at 31/12/2014	M			x	x	100%	1					x	100%				x	100%
	Magalotti Tamara	19/4/2012	Approval of financial statements at 31/12/2014	M			x	x	88%	0			x	100%	x	100%					
	Salvini Lidia	19/4/2012	Approval of financial statements at 31/12/2014	M			x	x	75%	1	x	75%			x	0%			x	100%	

Quorum required for submitting lists at the latest election: 2.50% of the share capital

N. of meetings held from 1 to 31 January 2013	BOD: 8	CRC: 8	NCC: 3	LI: 1	CC: 5	SB: 4	RPT: 3
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NOTES:

\* Zamboni has been Chairman of the BoD from 20 September 1999 to May 2000, Chief Executive from May 2000 to April 2003, and Director of IGD since 26 March 2003

\*\* M/m indicates whether the director was elected on a Majority list (M) or a minority list (m)

\*\*\* This column reports the percentage of meetings of the BoD and its committees attended by the directors (no. attendances/no. meetings held during a director's effective period in office)

\*\*\*\* This column reports the number of appointments held by the person concerned as a director or statutory auditor of other companies listed on regulated markets, in Italy or abroad, or in financial, banking, insurance or other large companies. The list of these companies with reference to each director, stating whether the society in which the position is held or not is part of the group headed by which is part of the issuer, is attached to this Report.

\*\*\*\*\* This column indicates with an "X" the director's membership of this committee

\*\*\*\*\* All members of the Board were last appointed on 19 April 2012

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

Board of Statutory Auditors							
Title	Member	In office since****	In office until	List (M/m)	Independent as per the Code	** (%)	N. of other appointments ***
CHAIRMAN	CONTI ROMANO	26 March 2003	Approval of financial statements at 31/12/2014	M	X	100%	16
STANDING AUDITOR	CHIUSOLI ROBERTO	28 April 2006	Approval of financial statements at 31/12/2014	M	X	100%	15
STANDING AUDITOR	CORSI PASQUINA	19 April 2012	Approval of financial statements at 31/12/2014	M	X	100%	2
ALTERNATE AUDITOR	LANDI ISABELLA	28 April 2006	Approval of financial statements at 31/12/2014	M			
ALTERNATE AUDITOR	MANZINI MONICA	23 April 2009	Approval of financial statements at 31/12/2014	M			
<b>Quorum required for submitting lists at the latest election: 2.50% of the share capital</b>							
<b>Number of meetings held during the year: 5</b>							
NOTES:							
* M/m indicates whether the director was elected on a Majority list (M) or a minority list (m).							
** This column reports the percentage of meetings of the Board of Statutory Auditors attended by the statutory auditors (no. attendances/no. meetings held during the auditor's effective period in office).							
*** This column reports the number of appointments held as a director or statutory auditor that are relevant for the purpose of art. 148-bis of the TUF. The full list of appointments is published by Consob on its website pursuant to Art. 144 - quinquiesdecies the Consob Issuer Regulations.							
**** All members of the Board of Statutory Auditors were last appointed on 19 April 2012							

**TABLE 4 "OFFICES HELD BY DIRECTORS AS AT 31 DECEMBER 2013"**

Name	Offices held at other companies	"IGD" Group companies	"IGD" Sister companies
COFFARI GILBERTO Chairman	Chairman of the BoD of IGD PROPERTY SIINQ S.P.A.	X	
	Director BANCA SAI S.P.A. CON SOCIO UNICO		
	Director FEDERAZIONE DELLE COOPERATIVE DELLA PROVINCIA DI RAVENNA S.C.P.A.		
	Chairman of the BoD COOPCICONTO S.R.L.		X
ALBERTINI CLAUDIO Chief Executive Officer	Standing Auditor CEFLA CAPITAL SERVICES S.P.A.		
	Vice Chairman of the BoD VIRTUS PALLACANESTO BOLOGNA S.P.A.		
	Director FINPAS SOCIETA' DI PARTECIPAZIONE E SERVIZI S.R.L.		
	Vice Chairman of the BoD and Chief Executive Officer IGD PROPERTY S.I.I.N.Q. SPA		X
	Director PROTOS S.P.A.		
ZAMBONI ROBERTO Director	Director HOLCOA S.P.A.		
	Director SEDICOOP S.R.L. con unico socio		
	Director CONSORZIO BOLOGNESE ENERGIA GALVANI S. C. A R. L.		
	Vice Chairman of the BoD EMILIANA S.R.L. con unico socio		X
	Director Enercoop Adriatica S.P.A.		X
	Chief Executive ERRICHTEN S.R.L.		
	Director FORUM S.R.L.		
	Chairman of the BoD HOPE S.R.L.		
	Vice Chairman of the BoD INRES - ISTITUTO NAZIONALE CONSULENZA, PROGETTAZIONE, INGEGNERIA S.C.		
	Director REAL STATION S.R.L.		
COSTALLI SERGIO Vice Chairman	Director UNAGRO S.P.A.		
	Director FINSOE S.P.A.		
	Vice Chairman of the BoD UNIPOL BANCA S.P.A.		
	Vice Chairman UNICOOP TIRRENO S.C. A R.L.		X
CAPORIONI LEONARDO Director	Chairman FONDAZIONE "MEMORIE COOPERATIVE"		
	Director and member of the Chairman's Committee UNIPOL GRUPPO FINANZIARIO S.P.A.		
	Vice Chairman of the BoD IMMOBILIARE SVILUPPO DELLA COOPERAZIONE S.P.A.		
	Director COOPERATIVA LAVORATORI DELLE COSTRUZIONI SOC. COOP.		
	Director AXIS S.R.L.		
	Chairman of the Board of Statutory Auditors COMPAGNIA FINANZIARIA ED IMMOBILIARE TOSCANA S.P.A.		
	Auditor COOPERSALUTE- Fondo assistenza sanitaria integrativa dipendenti Coop di Consumo		
	Director FONDO PENSIONI DIRIGENTI COOPERATIVE DI CONSUMATORI		
	Director CASSA DI ASSISTENZA DIRIGENTI COOPERATIVE DI CONSUMATORI		
	Director IL PADULETTO SRL		
PELLEGRINI FERNANDO Director	Chairman of the Board of Statutory Auditors L'AVVENIRE 1921 SOC. COOP.		
	Standing Auditors DISTRIBUZIONE ROMA S.R.L.		
CANOSANI ARISTIDE Director	Vice Chairman of the BoD IPERCOOP TIRRENO S.P.A.		X
	Vice Chairman of the BoD and Chairman of the Executive Committee SIMGEST S.P.A.		
CARPANELLI FABIO Director	Director COOP. ADRIATICA S.C. A R.L.		X
	Chairman of the BoD CREDITRAS ASSICURAZIONI S.P.A.		X
	Director COOPCICONTO S.R.L.		
FRANZONI MASSIMO Director	Chairman of the Supervisory Board MANUTENCOOP FACILITY MANAGEMENT S.P.A.		
	Chief Executive VEICOLO 5 S.R.L.		
	Director VETIMEC SOC. COOP.		
	Director PORTA MEDICEA S.R.L.	X	
GUALANDRI ELISABETTA Director	Preference shareholders' representative UNIPOL GRUPPO FINANZIARIO S.P.A.		
	Vice Chairman of the BoD F&R 2010 SRL		
PARENTI ANDREA Director	Director BANCA POPOLARE DELL'EMILIA ROMAGNA SOC. COOP.		
	Director DATARIVER S.R.L.		
	Standing Auditor COMMERCIALE ORTOINVEST S.R.L.		
	Director CG HOME VIDEO S.R.L.		
	Statutory Auditor CONSORZIO MACROLOTTO IND. N. 2 DI PRATO		
	Chairman of the Board of Statutory Auditors F.LLI CIAMPOLINI & C. S.P.A.		
	Chairman of the Board of Statutory Auditors FRAMAFRUIT S.P.A.		
	Chairman of the Board of Statutory Auditors FRUTTITAL FIRENZE S.P.A.		
	Chairman of the Board of Statutory Auditors GALANDI & C. S.P.A.		
	Chairman of the Board of Statutory Auditors GIOTTOFRUIT COMMERCIALE S.R.L.		
	Chairman of the Board of Statutory Auditors IMMOBILIARE SUD-EST S.P.A.		
	Standing Auditor MEGA S.R.L.		
	Reviewer Auditor FONDAZIONE OSPEDALE PEDIATRICO MEYER		
	Chairman of the Board of Statutory Auditors IMMOBILIARE MINERVA S.P.A.		
	Chairman of the Board of Statutory Auditors PENTAFIN S.P.A.		
	Chairman of the Board of Statutory Auditors PI.DA S.P.A.		
Chairman of the Board of Statutory Auditors SDI - SOCIETA' DISTRIBUZIONE IMBALLAGGI S.R.L.			
Chairman of the Board of Statutory Auditors TIRRENO IMMOBILIARE S.R.L.			
Reviewer Auditor EGAN IMMOBILIARE S.R.L.			
Standing Auditor BINFI S.P.A.			
Chairman of the Board of Statutory Auditors ALDO GALANDI S.P.A.			
SABADINI RICCARDO Director	/		
BOLDREGHINI GIORGIO Director	Chairman of the BoD TECONOPOLIS SOC. COOP.		
TAMARA MALAGOTTI Director	/		
SALVINI LIVIA Director	Chairman of the Board of Statutory Auditors COOPFOND - S.P.A.		

**Table 5: "OFFICES HELD BY THE STATUTORY AUDITORS AS AT 31 DECEMBER 2012"**

<b>Statutory Auditor</b>	<b>Offices held in other companies</b>	<b>Company</b>
<b>ROMANO CONTI</b>		
CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	SOLE DIRECTOR	FINMECO S.R.L.
	SOLE DIRECTOR	FIN.GI - S.R.L.
	CHAIRMAN OF THE AUDIT ON OPERATIONS COMMITTEE	MAJANI 1796 SPA
	DIRECTOR	ACB GROUP S.P.A.
	DIRECTOR	D. & C. - Compagnia di Importazione Prodotti Alimentari, Docieri, Vini e Liquori - SPA
	DIRECTOR	G.M.G. GROUP S.R.L.
	DIRECTOR	SIMBULEIA - S.P.A.
	DIRECTOR	DESPINA S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	A.M. GENERAL CONTRACTOR S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	BANCA POPOLARE DELL'EMILIA ROMAGNA SOC. COOP
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	COMET S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	SECONDA S.P.A. IN LIQUIDAZIONE
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	FERRARIO S.P.A.
	STANDING AUDITOR	COMET HOLDING S.P.A.
	STANDING AUDITOR	PENTA SPA
	SOLE AUDITOR	ZEROQUATTRO SRL
<b>ROBERTO CHIUSOLI</b>		
STANDING AUDITOR	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	UNIPOL GRUPPO FINANZIARIO S.P.A.
	MEMBER OF THE SUPERVISORY BOARD	MANUTENCOOP FACILITY MANAGEMENT S.P.A.
	STANDING AUDITOR	COMPAGNIA ASSICURATRICE LINEAR S.P.A.
	STANDING AUDITOR	LINEAR LIFE S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	UNIPOL BANCA S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	BANCA SAI S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	CASA DI CURA VILLA DONATELLO - S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	GRANAROLO S.P.A.
	STANDING AUDITOR	HPS S.P.A.
	STANDING AUDITOR	DE' TOSCHI S.P.A.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	ATAHOTELS S.P.A.
	STANDING AUDITOR	UNIPOL FINANCE S.R.L.
	MEMBER OF THE BOARD OF STATUTORY AUDITORS	SACMI IMOLA S.C.
	MEMBER OF THE SUPERVISORY BOARD	CONSORZIO COOPERATIVE COSTRUZIONI - CCC SOC. COOP.
	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	CAMST S.C.A R.L.
<b>PASQUINA CORSI</b>		
STANDING AUDITOR	MEMBER OF THE CONTROL COMMITTEE	IPERCOOP TIRRENO S.P.A.
	AUDITOR WITH LEGAL ASSIGNMENT CONTROL	IMMOBILIARE SVILUPPO DELLA COOPERAZIONE S.P.A.