

CG RATING REPORT

SAMPLE

“Corporate governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence. [...] Corporate governance also provides the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance are determined”. (OECD Principles of Corporate Governance, 2004).

The CG Rating Report takes into account all relevant governance procedures and practices, in order to provide investors with the most accurate analysis of potential areas of risk in the long term.

Frontis Governance strongly believes that a good governance is not just complying with regulatory duties, but it is attained by all procedures and voluntary actions needed to pursue the best interest of the Company and its stakeholders.

The analysis takes into account more than 100 governance–related indicators, categorized in 4 macro areas:

- 1. Shareholder rights and Share capital;**
- 2. Board of Directors (or Supervisory Board at the dual system);**
- 3. Remuneration;**
- 4. Internal controls.**

A score is assigned to each indicator depending on the level of compliance with market practice or Frontis Governance's guidelines. The scoring model is not only defined on a yes/no basis, but it also takes into account the relevance of each indicator on the overall governance.

The CG Rating Report includes a first Executive Summary, highlighting the main factors of concern and a snapshot of the risks related to the above defined macro areas, followed by in-depth quantitative and qualitative analysis of all Company's procedures and actions.

The report also provides with all relevant links to regulatory and Company's documentation.

The complete list of all scores is reported at the end of the analysis.

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MAIN CONCERNS

All indicators where the Company does not comply with market practices and FG's guidelines are listed at the beginning of the report, together with the highlight of the level of risk and the market focus trend. Each indicator is linked to the relevant section of the analysis.

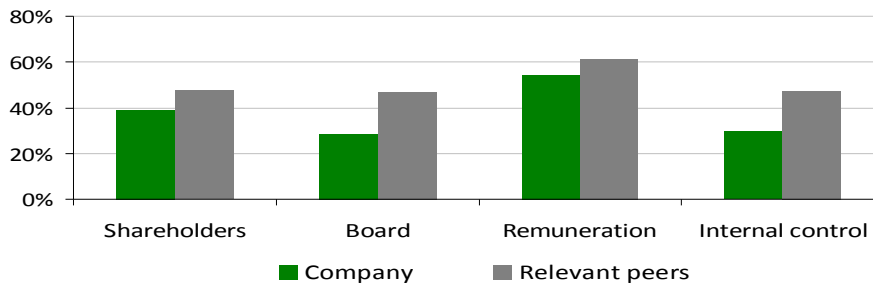
- = high level of risk
- = very high level of risk

INDICATORS	LEVEL OF RISK
Share Capital & Shareholder rights	
Alive authorizations to increase the share capital	●
High percentage of negative voting recommendations from FG or other Proxy Advisers	●
Very high voting concentration at last meetings	●
Board of Directors	
The number of strictly independent Directors (as per FG's definition) is not adequate	●
Excessive number of Executive Directors	●
Lack of strictly independence at main Committees	●
Excessive number of cross-memberships	●
As per the By-laws only 1 member is appointed by the minority slates of nominees	●
Remuneration	
Peer group's companies are not disclosed	●
Individual targets are not disclosed	●
Maximum variable component of executives' remuneration is not disclosed	●
Excessive Chairperson's base salary compared to median peers	●
Internal controls	
Non audit-related services' details are not duly disclosed	●
The definition of significant influence is not adequate (excessive ownership threshold)	●
The definition of lesser significant related party transaction is not adequate	●
Not adequate disclosure of related party transactions	●
The impact of related party transactions on Company's assets exceed peers' average	●
Poor reporting on anti-corruption	●
The Group is currently involved in several investigations	●

CORPORATE GENERAL EVALUATION

1. CORPORATE GOVERNANCE GENERAL EVALUATION

All main areas of analysis are compared with relevant peers, selected by relevant market, sector and size.

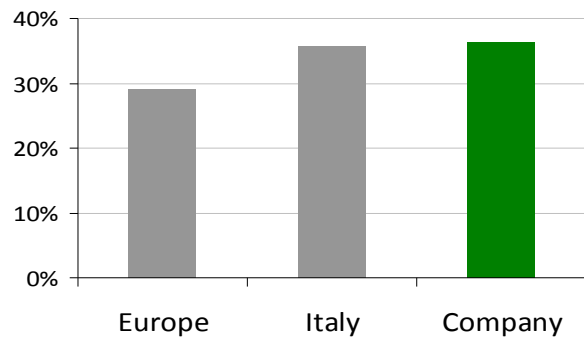


2. SHARE CAPITAL & SHAREHOLDERS RIGHTS

Main factors of risk and Company's practice

	Company's practice	Level of risk
Multiple classes of shares	No	Very low
Anti-takeover device	Yes	Very high
Major shareholder	10%	Very low
Voting concentration	77.0%	Very high

Overall negative voting recommendations received by ECGS and/or other Proxy Advisers

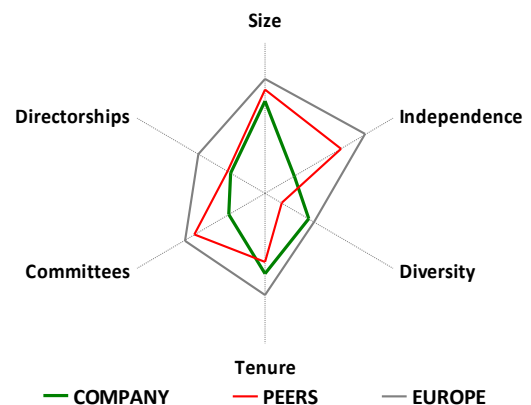


3. BOARD OF DIRECTORS

Board composition

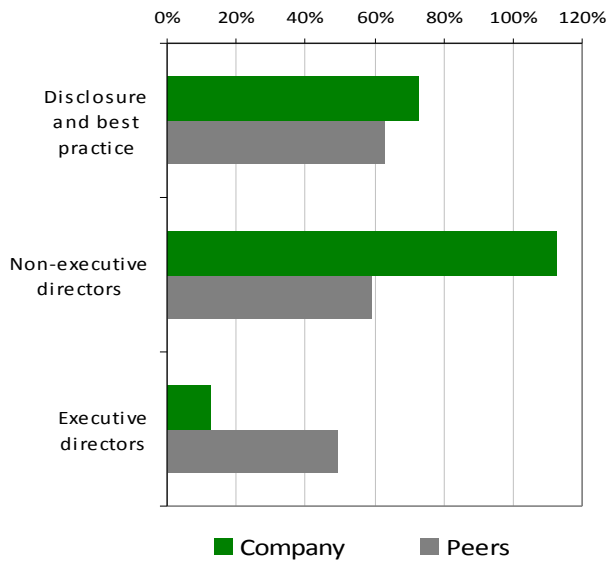
Chairman/CEO	NO
Size	15
Independence	14%
Board Meetings during last year	15
Average attendance rate	95%
Average tenure	4.7
Average number of mandates	2.7
Cross-memberships	7
Diversity	13%

Company score and market comparison



4. REMUNERATION

Remuneration structure score



Risk factors

	Company practice	Risk
Quality of disclosure	Adequate	Low
Options to NEDs	No	Very low
Variable NEDs' remuneration	No	Very low
Disclosed performance criteria	Yes	Low
Variable CEO's remuneration	Not disclosed	Very high
Severance payments provided	5 years of base salary	Very high
Long-term interests alignment	Adequate	Low

Detailed overview

	Company	Median peers
CEO base salary	€ 1'750'000	€ 1'300'000
CEO total remuneration	€ 2'300'000	€ 2'450'000

5. INTERNAL CONTROL SYSTEM

Area	Total score	Highlights	Risk
Statutory Auditors	75%	Chairperson's fees exceed median peers	Low
External Auditor fees	42%	Non audit-related services are not disclosed	High
Related party transactions	7%	Very poor disclosure, lack of independence, excessive definition of significant transactions	Very High
Anti-corruption	39%	Group companies under investigation for alleged corruption. Poor disclosure on anti-corruption activities	High

SHAREHOLDERS AND SHARE CAPITAL

Detailed description of the Company's share capital and the ownership structure, including practices and last actions:

- **Structure:**
 - eventual multiple classes of shares issued;
 - major shareholders and free floating capital;
 - level of disclosure about the share ownership structure;
 - eventual net short positions;

- **Rights**
 - Last actions performed by the Company on the share capital (i.e. reduction, split, elimination of the par value, etc.);
 - Still alive authorizations to increase the share capital;
 - Recent share capital increases performed by the Company including the following details;
 - Alive authorizations to purchase and dispose of treasury shares;
 - Last repurchases disclosed by the Company.

- **Shareholder Meetings**
 - Voting concentration;
 - Favourable recommendations issued by ECGS and/or other proxy advisers;
 - Level of disclosure in terms of timing, language and details reported in the Meeting minutes.

BOARD OF DIRECTORS

The Board of Directors is deeply analysed taking into account its composition, the definition of independent Directors and the election procedures provided by the Company's By-laws.

Board composition: a detailed description of the Board composition is reported, including the following details for each member:

- role;
- internal committees' memberships;
- definition of strictly independence as per Frontis Governance's guidelines and comparison with the Company's assessment;
- first appointment;
- attendance rate during last fiscal year;
- number of external memberships.

Internal Committees' details: members, independence rate, independence of the relevant Chairperson.

Independence definition: a detailed explanation of the definition of the non-independence of a Director is provided when the Frontis Governance's definition differs from the Company assessment.

Board activity: in terms of Board and Committees' meetings, average attendance rates and level of disclosure of Board meetings.

Election procedures: detailed description of the procedures including:

- the ownership needed to submit a slate of nominees;
- the minimum number of independent Directors provided by the Company's By-laws;
- the number of Directors to be taken from the slate of nominees obtaining the majority of votes;
- outcomes of the last Board members' election.

REMUNERATION REPORT & STOCK OWNERSHIP

REMUNERATION POLICY

All aspects of the Remuneration Report are deeply analysed, comparing the Company's policy with market and relevant peers' best practices in terms of:

- **Disclosure:**
 - of all remuneration components;
 - of short-term and long-term performance criteria;
 - of CEO's individual targets;
 - of remuneration structure, with particular regards of the maximum level of the variable components (short-term and long-term);
 - of relevant peer group.

- **Best practice:**
 - discretionary bonuses provided;
 - severance payments provided;
 - claw-back provisions;
 - change of control provisions.

- **Non-executive Directors' compensation**
 - non-executive Chairperson's remuneration structure;
 - other non-executive Directors remuneration structure;
 - additional compensation to Committees' members;
 - attendance fees.

- **Executives' remuneration**
 - base salary and total remuneration paid to the CEO, the executive Chairperson and the average remuneration of other executives;
 - maximum variable component;
 - short-term bonus structure;
 - long-term incentive plans.

REMUNERATION AND HOLDINGS (related to last fiscal year)

All remuneration components are deeply analysed:

- **Executive management's remuneration:**
 - total and average base salary paid to Company's executives;
 - cash bonuses, shares granted and stock options awarded;
 - breakdown of the CEO's and other executives' remuneration: base salary, short-term bonus, long-term incentives and other benefits;
 - target, maximum and actual bonuses paid (% on base salary).

- **Non-executive Board members' remuneration:**
 - total fees paid;
 - eventual variable and equity-based components.

- **Alignment of the change in remuneration with changes in financial performances.**

- **Detailed remuneration of all Board members and other executives not in the Board, including:**
 - cash fixed and variable components;
 - shares fixed and variable;
 - stock options;
 - other.

- **Individual share and stock option holdings** of all Board members and aggregate holdings of other executives not in the Board.

BOARD OF STATUTORY AUDITORS

Internal controls are split in 4 relevant sections: the Board of Statutory Auditors (not applicable to Company's adopting the dual governance system), the External Auditor, Related Party Transactions and Anti-corruption procedures.

The Board of Statutory Auditors represents the highest level of independent control on the Company's management, therefore all its members have to comply with the highest independence standards. This section of the CG Rating Report includes the same level of detailed information provided for the Directors, with particular regards to the **eventual connections between the Auditors and the Company** (or its major shareholders) and the **level of annual fees paid**.

EXTERNAL AUDITOR

The analysis of the External Auditor is mainly focused on their strict independence, that is presumed when the fees paid for other services are not excessive in comparison with the compensation for statutory services (audit and certification). The **detailed disclosure of non audit-related fees** is a main indicator of the level of risks linked to External Auditors.

This section of the report will also take into account eventual **past irregularities and Authorities' actions** against the Company or one of its executives.

RELATED PARTY TRANSACTIONS

All Company's procedures and track record in terms of Related Party Transactions are analysed, including:

- the composition of the **Board's Committee** in charge of the RPT's supervision;
- the **Company's definition of "related party"**;
- the **Company's definition of the significance of the transaction**, compared with average peers;
- the **level of disclosure** of greater and lesser significant transactions with related parties;
- the **impact of RPTs** on the Company's assets and total revenues over the last period;
- duly detailed **last relevant RPTs disclosed** by the Company.

ANTI-CORRUPTION

All Company's procedures aimed at fighting the corruption are analysed, based on the Transparency International guidelines applied to the specificities of the Italian market.

Key factors analysed:

- **Internal procedures:** does the Company adopt specific anti-corruption guidelines? Do the guidelines apply to all partners and suppliers and are published on the corporate website? Did the Company establish a dedicated internal unit, with a clear confidential reporting channel? Is retaliation clearly prohibited? Are internal procedures regularly monitored?
- **Reporting:** does the Company report all warnings received and relevant actions implemented? Does the Company report all community and political contributions? Are all holdings duly disclosed, regardless the materiality (also on the corporate website)? Does the Company duly report financial informations related to its foreign subsidiaries (i.e., Revenues, EBITDA, Net Income, Staff, Taxes paid)?
- **Eventual investigations involving the Group and its officers.**

SOURCES & SCORING METHODOLOGY

Main regulatory sources

[Italian Corporate Governance Code](#)

[Consolidated Law on Finance](#)

[Consob's market regulation](#)

Main Company's sources

[Company's By-laws](#)

[Corporate Governance model](#)

[Remuneration policy](#)

[Related parties' procedures](#)

Scoring methodology

The analysis takes into account 136 governance – related factors, compared with market practices and Frontis Governance guidelines. Indicators are categorized in 4 macro areas, each one divided in further sub-areas including the main factors:

1. Share Capital and Shareholder Rights:
 - a) Share capital structure (4 main factors);
 - b) Shareholder rights (14 main factors);
 - c) Shareholder Meetings (6 main factors).
2. Board of Directors:
 - a) Composition (9 main factors);
 - b) Independence (8 main factors);
 - c) Board activity (8 main factors);
 - d) Appointment of Board members (5 main factors).
3. Remuneration:
 - a) Disclosure and best practices (11 main factors);
 - b) Non-executives' compensation (12 main factors);
 - c) Executives' remuneration structure (21 main factors).
4. Internal controls:
 - a) Board of Statutory Auditors (6 main factors);
 - b) Audit (6 main factors);
 - c) Related party transactions (11 main factors);
 - d) Anti-corruption (15 main factors).

A score is assigned to each factor depending on the level of compliance with market practice or Frontis Governance's guidelines. The scoring model is not only defined on a yes/no basis, but it also takes into account the relevance of each factor on the overall governance.

Each macro area's score is given by the average of relevant indicators and the Company's overall score is the average of macro area's scores.

DETAILED SCORES

 **High risk**

 **Low risk**




































 **Best practice**

INDICATORS

SCORE

SHAREHOLDERS AND SHARE CAPITAL		40%
1	Structure: Classes of stock with different voting rights?	
2	Structure: Free floating capital	
3	Structure: Are all info on share capital available on corporate website?	
4	Structure: Disclosed net short positions on share capital over the last 60 days	
5	Rights: Does the company adopt the one share - one vote principle?	
6	Rights: Anti take-over device (i.e. restricted voting rights, golden share, etc.)?	
7	Rights: Alive authorizations to increase the share capital without pre-emptive rights	
8	Rights: If more than 10%, length of the authorization without pre-emptive rights	
9	Rights: Average discount of last increases without pre-emptive rights (no LTIP and ESOP)	NA
10	Rights: Past 5-years rights issues' potential dilution	
11	Rights: Treasury shares held	
12	Rights: Alive authorization to shares' repurchase	
13	Rights: Maximum repurchase price versus market price	
14	Rights: May the company utilize derivative instruments to purchase own shares?	
15	Rights: Own shares repurchased over the last 3 years	
16	Rights: Last repurchases' average price versus market value	
17	Rights: Disclosure on last repurchases	
18	Rights: Dividend policy disclosed on website?	
19	Meetings: Average independent votes over last 3 years (excl. major shareholders and related parties)	
20	Meetings: Voting concentration at the last GM	
21	Meetings: Favourable recommendations by ECGS	
22	Meeting Disclosure: were all document available at least 21 days before?	
23	Meeting Disclosure: were all documents available also in English?	
24	Meeting Disclosure: do minutes report detailed voting shareholders and relevant voting direction?	
BOARD		58%
25	Composition: Size versus average peers	
26	Composition: Are the roles of Chairperson and CEO separated?	
27	Composition: Is the Chairperson a representative of the major shareholder?	
28	Composition: Number of Executive Directors	
29	Composition: Diversity ratio	
30	Composition: Number of external directorships held by the CEO	
31	Composition: Average number of external directorships	

32	Composition: Average tenure	●
33	Composition: Are detailed curriculums available on the Company's website?	●
34	Independence: % of strictly independent members (as per the ECGS' definition)	●
35	Independence: does the company's definition of independence differ from the ECGS guidelines?	●
36	Independence: Has the Company identified a LID? (if Chair = CEO or Chair = major shareholder)	●
37	Independence: if applicable, is the LID strictly independent as per the ECGS' definition?	●
38	Independence: Group mandates held by independent members (as defined by the Company)	●
39	Independence: Main Committees' average independence	●
40	Independence: Are the main Committees' Chairpersons strictly independent?	●
41	Independence: Cross-memberships held by independent members (as defined by the Company)	●
42	Activity: Board meetings held during last year	●
43	Activity: Audit Committee meetings held during last year	●
44	Activity: Remuneration Committee meetings held during last year	●
45	Activity: RPT Committee meetings held during last year	NA
46	Activity: Board members' attendance rate	●
47	Activity: Average Audit Committee's attendance rate	●
48	Activity: Average Remuneration Committee's attendance rate	●
49	Activity: Average RPT Committee's attendance rate	NA
50	Appointment: minimum independence rate	●
51	Appointment: members reserved to the slate of nominees obtaining the majority of votes	●
52	Appointment: Last election: how many independent slates of nominees have been submitted?	●
53	Appointment: Last election: independent members appointed from the minority lists	●
54	Appointment: is there a succession plan in place?	●
REMUNERATION		46%
55	Disclosure: Each member's remuneration disclosed separately	●
56	Disclosure: All pay components disclosed separately (salary, bonus, LTI, pension)	●
57	Disclosure: Performance criteria for short term incentive adequately disclosed	●
58	Disclosure: Performance criteria for the vesting of long term incentive adequately disclosed	●
59	Disclosure: Peer group's companies disclosed	●
60	Disclosure: Individual targets disclosed	●
61	Best practice: Non-executive Directors receive variable remuneration	●
62	Best practice: Discretionary bonuses are provided	●
63	Best practice: Severance payments provided	●
64	Best practice: Change of control provisions	●
65	Best practice: Claw-back provisions	●
66	Non-Executive compensation: Chairperson's base salary	NA
67	Non-Executive compensation: Average NEDs' fees	●
68	Non-Executive compensation: Bonus provided to non-executive Chairperson	NA

69	Non-Executive compensation: Additional compensation Audit Committee	
70	Non-Executive compensation: Additional compensation Remuneration Committee	
71	Non-Executive compensation: Additional compensation Nomination Committee	NA
72	Non-Executive compensation: Additional compensation other Committees	
73	Non-Executive compensation: Board attendance fees	
74	Non-Executive compensation: Committees' attendance fees	
75	Non-Executive compensation: Non-executive directors' fees partly paid in shares	
76	Non-Executive compensation: Non-executive directors receive options	
77	Non-Executive compensation: Minimum stock ownership requirements exist for board members	
78	Executive compensation: Max variable component on base salary	
79	Executive compensation: Max annual bonus on base salary	
80	Executive compensation: Max long-term incentives on base salary	
81	Executive compensation: Is at least 50% of variable component based on long-term incentives?	
82	Executive compensation: CEO's base salary	
83	Executive compensation: Executive Chairperson's base salary	
84	Executive compensation: average other Executives' base salary	
85	Executive compensation: CEO's total compensation (2012)	
86	Executive compensation: CEO's total compensation versus average salary paid (2012)	
87	Executive compensation: does the CEO receive non-performance-based incentives?	
88	Executive compensation: is the cumulative Executives' remuneration aligned with the TSR (2012)?	
89	Executive compensation: severance paid over the last 3 years (compared to the base salary)	
90	Short-term bonus: partially paid in shares/options?	
91	Short-term bonus: is the lock-up period of shares >3 years?	NA
92	Short-term bonus: Performance criteria are duly disclosed?	
93	Short-term bonus: is the minimum bonus 0?	
94	LTIP: partially paid in shares/options?	
95	LTIP: is vesting period at least 3 years?	
96	LTIP: is the lock-up period of shares at least 3 years?	
97	LTIP: Performance criteria duly disclosed?	
98	LTIP: are adjustment mechanisms provided?	
INTERNAL CONTROLS		39%
99	Board of Statutory Auditors: is there any concern about the independence of any member?	
100	Board of Statutory Auditors: average attendance rate	
101	Board of Statutory Auditors: average memberships at listed companies	
102	Board of Statutory Auditors: Chairperson's compensation versus median peers	
103	Board of Statutory Auditors: average Statutory Auditors' compensation versus median peers	
104	Board of Statutory Auditors: average tenure	
105	Audit: % of non-audit fees versus statutory fees during last fiscal year	

106	Audit: % of non-audit fees versus statutory fees over the last 3 years	●
107	Audit: does the company duly disclose the non audit-related services?	●
108	Audit: has the company restated financials over the last 2 years?	●
109	Audit: has the company made late financial disclosure filings over the last 2 years?	●
110	Audit: has the authority taken enforcement action against the company in the last 2 years?	●
111	RPT: independence rate of the relevant Board Committee	●
112	RPT: minimum ownership to define significant influence	●
113	RPT: ratio to identify transactions of greater significance	●
114	RPT: minimum value to define greater significant RPT	●
115	RPT: minimum value to define lesser significant RPT	●
116	RPT: level of disclosure of lesser significant RPT	●
117	RPT: minimum amount of disclosed RPT during last fiscal year	●
118	RPT: disclosed impact of RPT on company's assets	●
119	RPT: disclosed impact of RPT on consolidated revenues	●
120	RPT: related parties acting as advisor on transactions?	●
121	RPT: did the Company waive the disclosure of significant transactions?	●
122	Anti-corruption: is the Company, a director or an officer currently under investigation?	●
123	Anti-corruption: Are detailed guidelines published on the website?	●
124	Anti-corruption: Do codes also apply to all partners and suppliers?	●
125	Anti-corruption: Did the company establish an Anti-Corruption Unit?	●
126	Anti-corruption: Does the company report the annual activity and warnings received?	●
127	Anti-corruption: Confidential reporting channel	●
128	Anti-corruption: Prohibition of retaliation for reporting	●
129	Anti-corruption: Training programmes for all employees in place	●
130	Anti-corruption: Zero-tolerance statement available	●
131	Anti-corruption: Regular programme monitoring	●
132	Anti-corruption: Disclosure of community contributions	●
133	Anti-corruption: Prohibition of facilitation payments	●
134	Anti-corruption: Full disclosure of all holdings, regardless the materiality	●
135	Anti-corruption: List of holdings available on the website	●
136	Anti-corruption: Country-by-country reporting data (excluding domestic market)	●

About Frontis Governance

Frontis Governance provides independent governance advice to institutional investors investing in Italian issuers. The analyses are based on the ECGS' principles reflecting high international standards of corporate governance while taking into account local governance codes and market practices.

Frontis Governance is partner of ECGS, the only Global joint venture of independent proxy advisers.

Other members of the ECGS network are: DSW (Germany), Ethos (Switzerland), Proxinvest (France, Managing Partner), Shareholder Support (Netherlands), GIR (Canada) and SIRIS (Australia).

Frequently used abbreviations

AGM: Annual General Meeting

EGM: Extraordinary General Meeting

NA: Not applicable

CEO: Chief Executive Officer

CFO: Chief Financial Officer

COO: Chief Operating Officer

OE: Other Executive Function

Ex-: Former

NED: Non-executive Director

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Disclaimer

The analyses rely on information gathered from sources available to investors and the general public, e.g. the companies' reports, websites and direct contacts with company officers. Despite multiple verification, the information provided cannot be guaranteed accurate. The scoring is defined by Frontis Governance according to general best practice standards in corporate governance. They also take into consideration local market practice. The analyses are intended to help investors (clients of Frontis Governance or any other potential users) in defining the level of risks related to corporate governance issues. The analyses cannot, in any way, be considered as investment tools or advices for investing in securities.

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