



**EI**  **TOWERS**

**Annual Report on  
Corporate Governance  
and the Ownership  
Structure**



***EI TOWERS S.P.A.***

***ANNUAL REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP  
STRUCTURE***

Financial Year 2015

Approved by the Board of Directors on 17 March 2016

This document is an English translation of an original Italian text. In the event of discrepancies between the original Italian text and this English translation, the original Italian text shall prevail.

Website: [www.eitowers.it](http://www.eitowers.it)

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## **GLOSSARY**

<b>General Meeting</b>	The general shareholders' meeting of EI Towers S.p.A.
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with head office in Milan, piazza Affari no. 6
<b>Self-Disciplinary Code</b>	The Self-Disciplinary Code of listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria
<b>Code of Ethics</b>	The Code of Ethics of EI Towers Group, which constitutes an integral part of the Organisation Model described in detail in paragraph 11.3 of this Report
<b>Consob</b>	The National Commission for Companies and the Stock Exchange, with head office in Rome, via G. B. Martini no. 3
<b>Board of Statutory Auditors</b>	The Board of Statutory Auditors of EI Towers S.p.A.
<b>Board of Directors or Board</b>	The Board of Directors of EI Towers S.p.A.
<b>EI Towers or Issuer or Company</b>	EI Towers S.p.A., with registered office in Lissone, Via Giacomo Zanella no. 21
<b>Financial Year</b>	The financial year ended on 31 December 2015
<b>EI Towers Group or Group</b>	The group of companies led by EI Towers S.p.A., which includes the subsidiary companies of same pursuant to article 2359, Italian civil code
<b>Instructions accompanying the Rules of Borsa Italiana</b>	The Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana S.p.A.
<b>Organisation Model</b>	The organisation model pursuant to Legislative Decree no. 231, 8 June 2001, as amended and supplemented
<b>MTA</b>	The Online Stock Market organised and managed by Borsa Italiana

<b>Supervisory and Control Body or ODVC</b>	The Supervisory and Control Body pursuant to Legislative Decree no. 231, 8 June 2001, as amended and supplemented
<b>Related Party Procedure</b>	The Company's related party transaction procedure available for consultation on the <a href="http://www.eitowers.it">www.eitowers.it</a> website, Governance section - Related Parties
<b>General Meeting Rules</b>	The rules applicable to General Meetings, as amended most recently on 18 April 2013, pursuant to Application Criterion 9.C.3 of the Self-Disciplinary Code, for the purposes of ensuring that general meetings are conducted in an orderly and functional manner
<b>Borsa Italiana Rules</b>	The Rules of Markets organised and managed by Borsa Italiana
<b>Issuer Regulations</b>	The Regulations applicable to issuers introduced by Consob with resolution no. 11971, 14 May 1999, as amended
<b>Market Rules</b>	The Rules applicable to markets introduced by Consob with resolution no. 16191, 29 October 2007, as amended
<b>Related Party Regulations</b>	The Regulations applicable to transactions with related parties introduced by Consob with resolution no. 17221, 12 March 2010, as amended
<b>Report</b>	This Report on Corporate Governance and the Ownership Structure, prepared pursuant to art. 123-bis, Consolidated Financial Act
<b>Independent Auditors</b>	Deloitte & Touche S.p.A., engaged to perform the statutory auditing of the Issuer's accounts
<b>Bylaws</b>	The bylaws of EI Towers S.p.A. in force at the date of this Report and available for consultation on the <a href="http://www.eitowers.it">www.eitowers.it</a> website, Governance section – Governance System
<b>TUF or Consolidated Financial Act</b>	Legislative Decree no. 58, 24 February 1998, as amended



## 1. ISSUER PROFILE

### 1.1 Business Activities of the Issuer and Group

EI Towers S.p.A. operates in the network infrastructure and integrated electronic communication services sector for operators in the radio and television sector (broadcasters) and in the mobile telephony (GSM/UMTS/LTE operators) and wireless (WiFi/iMax operators) telecommunications sector, as well as for public utility operators and the Institutions. With the incorporation in August 2015 of the company NETTROTTER S.r.l., the Issuer also operates in the Internet of Things segment.

Specifically, EI Towers S.p.A., a company listed on the Italian stock market (Borsa Italiana) in the STAR segment, manages the infrastructure/station assets, distributed across Italy, used primarily by broadcast operators. The services offered by the Company range from the hosting at stations of transmission equipment and signal broadcast antenna, to all complementary activities, including the installation, testing and maintenance (both routine maintenance and repair work) of the equipment hosted. The Company favours a market approach addressed to providing comprehensive turnkey management of clients' networks, including planning, design, realisation and management activities.

TowerTel S.p.A., a wholly-owned direct subsidiary company, holds the infrastructure/stations asset for mobile telephone operators and WiFi and WiMax operators. TowerTel S.p.A. undertakes management, acquisition and implementation activities for telecommunications network plant and infrastructure in general. TowerTel owns 100% of the equity of NewTelTowers S.p.A. (formerly Hightel S.p.A.), a company with the main mission of acquiring, building and managing infrastructure for telecommunications networks and electronic communications in general.

NETTROTTER S.r.l., of which 95% is controlled directly by the Issuer, has been established to develop a network devoted entirely to the Internet of Things (IoT) in partnership with SIGFOX S.A., a world-leading company in this sector, and to sell, on a subscription basis, connection services for the IoT market in Italy.

### 1.2 Organisation of the Issuer

The organisation of the Issuer is based on the traditional model and has the structure described below.

- General Shareholders' Meeting: resolves in ordinary and extraordinary session on the matters for which it holds responsibility pursuant to the law or the Bylaws. For more information, see paragraph 16 in this Report.
- Board of Directors: vested with the broadest possible powers for the ordinary and extraordinary administration of the Company, with the authority to perform all the actions deemed appropriate in the pursuit of the corporate mission, with the exclusion of those actions which are the responsibility of the General Meeting pursuant to the law or the Bylaws. For more information, see paragraph 4.3 in this Report.

- Board of Statutory Auditors: vested with the powers provided by the law and the Bylaws, also in its capacity as internal control and statutory audit committee. For more information, see paragraph 14 in this Report.
- Statutory Audit Company: the statutory auditing of the accounts is performed by a specialised Company entered in the register of statutory audit companies and appointed specifically by the General Meeting based on the reasoned proposal submitted by the Board of Statutory Auditors. For more information, see paragraph 11.4 in this Report.

The information contained in this Report, unless otherwise indicated, is correct at the date of approval of same by the Board of Directors (17 March 2016).

### **1.3 The definition of “SME” for the purposes of the provisions of the TUF**

At the date of this Report, the Company qualifies as an “SME” pursuant to article 1, sub-section 1, letter w-quarter 1), TUF<sup>1</sup>.

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<sup>1</sup> Pursuant to article 1, sub-section 1, letter w-quarter 1), TUF, “SMEs” are defined as: “without prejudice to other provisions of the law, small and medium enterprises which issue listed shares and which have, based on the most recently approved financial statements, even before the listing of its shares, a turnover of up to Euro 300 million or an average market capitalisation over the last calendar year of less than Euro 500 million. The issuers of listed shares which have exceeded both the aforementioned limits for three consecutive financial or calendar years are not considered to be SMEs”. Legislative Decree no. 25, 15 February 2016, amended the aforementioned article 1, sub-section 1, letter w-quarter 1), TUF. The amendments will come into force on 18 March 2016.



## **2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to art. 123-bis, sub-section 1, TUF) as of 17 March 2016**

### **a) Structure of the share capital (art. 123-bis, sub-section 1, letter a), TUF)**

The subscribed and paid in share capital of the Company stands at Euro 2,826,237.70, divided into 28,262,377 ordinary shares of par value 10 eurocents each, each of which grants the right to a vote at the general meeting, with the exception of no. 62,526 treasury shares, equal to 0.22% of the share capital, of which no. 6,000 treasury shares on loan to Mediobanca Banca di Credito Finanziario S.p.A. to perform the Specialist activities pursuant to art. 2.2.3, sub-section 4, Borsa Italiana Rules, and to the relative Instructions accompanying the Rules. Pursuant to the law, voting rights are suspended for treasury shares held by the Company. The structure of the share capital is set out in **Table 1** at the end of this Report.

For the sake of completeness, the Extraordinary Shareholders' Meeting on 27 March 2015 resolved a paid-in, divisible increase in the share capital of EI Towers up to the maximum amount of Euro 373,972,800.00 (including the premium), with the exclusion of the right of pre-emption pursuant to article 2441, sub-section 4, Italian civil code, to be completed no later than 31 December 2015, with the issue of up to no. 8,160,000 ordinary shares in the Company, to be settled by means of the contribution in kind of ordinary Rai Way S.p.A. shares tendered in the voluntary tender and exchange offer made by the Issuer on 24 February 2015. On 22 April 2015, the Board of Directors, having examined the press release issued on 16 April 2015 by RAI S.p.A. (the controlling shareholder of Rai Way S.p.A.), recognised before the commencement of the offer period that the conditions necessary to proceed with the offer were not satisfied. Said capital increase did not therefore take place.

The Company has not issued other categories of shares or financial instruments which can be converted into or exchanged with shares.

At the present time there are no share-based incentive plans involving increases of the share capital, including free increases.

### **b) Restrictions on the transfer of securities (art. 123-bis, sub-section 1, letter b), TUF)**

There are no restrictions on the transfer of EI Towers securities.

### **c) Significant stakes in the share capital (art. 123-bis, sub-section 1, letter c), TUF)**

In consideration of the fact that the Issuer is an "SME" pursuant to article 1, sub-section 1, letter w-quarter 1), TUF, the percentage applicable for the purposes of disclosure obligations pursuant to article 120, sub-section 2, TUF, is 5%. That said, **Table 1** at the end of this Report sets out the parties which, based on the records in the Shareholders' Register and taking account of the communications received pursuant to article 120, TUF, and the other information received, directly or indirectly own shares in the Company representing 2% or more of the share capital.

### **d) Securities which grant special rights (art. 123-bis, sub-section 1, letter d), TUF)**

The Company has not issued securities which grant special controlling rights.  
The Company Bylaws do not envisage the issue of shares with special voting rights.

**e) Employee shareholdings: mechanism for exercising voting rights (art. 123-bis, sub-section 1, letter e), TUF)**

The Company does not have an employee shareholding system with a mechanism for exercising voting rights that is different from the one provided for all the Company's other shareholders.

**f) Restrictions of voting rights (art. 123-bis, sub-section 1, letter f), TUF)**

The voting rights of treasury shares held by the Company are suspended pursuant to art. 2357-ter, Italian civil code.

**g) Shareholders' agreements (art. 123-bis, sub-section 1, letter g), TUF)**

The Company is not aware of any shareholders' agreements pursuant to art. 122, TUF.

**h) Change of control clauses (art. 123-bis, sub-section 1, letter h), TUF) and statutory provisions on the subject of Takeover Bids (art. 104, sub-section 1-ter and 104-bis, sub-section 1, TUF)**

In the framework of the April 2013 bond issue, as disclosed to the market and according to common practice in financial markets, provisions have been made for specific effects (the right of bond-holders to receive an advance reimbursement of all or part of the obligations they hold) in the event of a change of control of the Company.

Pursuant to art. 15, paragraph H) of the Bylaws, the Board of Directors and any delegated bodies have the power, without the need for authorisation by the general meeting, to perform acts or operations to prevent the objectives of a takeover bid from being achieved, from the time of notification of same pursuant to article 102, sub-section 1 Consolidated Financial Act, until the conclusion of the bid or until the offering expires, and to implement decisions taken before the start of the aforementioned period which have not yet been implemented entirely or in part, which do not form part of the Company's normal activities, and the implementation of which may prevent the objectives of the takeover bid from being achieved.

**i) Directors' indemnity in the event of resignation or the termination or ceasing of the relationship without due cause or following a takeover bid (art. 123-bis, sub-section 1, letter i), TUF)**

There are no agreements in being between the Company and the directors pursuant to art. 123-bis, sub-section 1, letter i), TUF.

**l) Appointment and replacement of directors and amendments to the bylaws (art. 123-bis, sub-section 1, letter i), TUF)**

The appointment and replacement of directors is regulated by art. 13 of the Bylaws. For further information on this matter, see paragraph 4.1 below in this Report regarding the Board of Directors.

Pursuant to the Bylaws (art. 15, paragraph A), the Board of Directors may resolve to establish or abolish secondary head offices, reduce the share capital in the event of the withdrawal of a shareholder, amend the bylaws in line with legal provisions, transfer the head office of the company within Italy, and make the resolutions pursuant to article 2505 and 2505-bis, Italian civil code, also as referred to in relation to demerger by article 2506-ter, Italian civil code, within the limits of the law.

The Bylaws, most recently amended by the General Meeting on 27 March 2015, is available for consultation on the [www.eitowers.it](http://www.eitowers.it) website, Governance Section - Governance System.

**m) Delegation of powers to increase the share capital and authorisation to buy treasury shares (art. 123-bis, sub-section 1, letter m), TUF)**

No proxies exist to increase the share capital pursuant to art. 2443, Italian civil code, or to issue equity instruments.

The General Meeting of 21 April 2015 authorised the purchase of ordinary shares in the Company, conferring such powers on the Board of Directors and for it the CEOs, severally, in one or more transactions, up to the maximum number permitted by the law, taking account of the treasury shares held directly and those held by subsidiary companies.

The purchases may be made, pursuant to art. 2357, first sub-section, Italian civil code, within the limits of profit available for distribution and available reserves as indicated in the most recently approved financial statements, with the consequent establishment, pursuant to art. 2357-ter, third sub-section, Italian civil code, of a restricted reserve equal to the amount of the treasury shares purchased from time to time, which must be retained until the shares have been transferred.

Authorisation to purchase shares was agreed as of the date of the aforementioned General Meeting, until the approval of the financial statements at 31 December 2015.

For information on the manner and terms of purchase of treasury shares, please see the minutes of the General Meeting of 21 April 2015, which are available for consultation on the [www.eitowers.it](http://www.eitowers.it) website, Governance/General Shareholders' Meeting section.

At 31 December 2015, the Company held no. 62,526 treasury shares, equal to 0.22% of the share capital, of which no. 6,000 treasury shares on loan to Mediobanca Banca di Credito Finanziario S.p.A. to perform the Specialist activities pursuant to article 2.2.3, sub-section 4, Borsa Italiana Rules, and to the accompanying Instructions. There have been no purchases of treasury shares in the period from the end of the Financial Year to the date of this Report.

**n) Direction and coordination activities (art. 2497 and following, Italian civil code)**

As of 2 January 2012, the Company is subject to the direction and coordination activities of Mediaset S.p.A..

The Company, pursuant to the combined provisions of art. 39, sub-sections 2 and 4, Market Rules, informed Consob and the public of its full compliance with the provisions of art. 37 of such Market Rules, as demonstrated by the certificate pursuant to art. 2.6.2, sub-section 13, Borsa Italiana Rules, of the existence of the conditions required by art. 37, Market Rules, contained in the Management Report in the Financial Statements.

The Company exercises direction and coordination activities over its subsidiary companies TowerTel S.p.A., NewTelTowers S.p.A. and NETTROTTER S.r.l, the latter incorporated during 2015.

### 3. COMPLIANCE

Since its listing in 2004, EI Towers (formerly DMT S.p.A.) has adopted the Self-Disciplinary Code of listed companies, which is available for public consultation on the Borsa Italiana website

[\(<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf>\)](http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf), introducing the principles established by same and aligning its corporate governance system with Italian and international best practices.

In July 2015, the Borsa Italiana Corporate Governance Committee introduced a new version of the Self-Disciplinary Code, with which the Corporate Governance system of EI Towers, as a whole, is substantially aligned.

The Issuer and its subsidiary companies are not subject to non-Italian legal provisions which influence the Issuer's corporate governance structure.

## 4. BOARD OF DIRECTORS

### 4.1 APPOINTMENT AND REPLACEMENT (art. 123-bis, sub-section 1, letter I), TUF)

#### *Appointment of Directors*

The appointment and replacement of directors is regulated by article 13 of the Bylaws. Specifically, the directors are appointed by the shareholders' meeting on the basis of lists, in which each candidate is indicated by a progressive number, presented by shareholders, who represent, alone or together with other shareholders, at least **2.5%** of the shares with voting rights at the ordinary shareholders' meetings or who represent a lower percentage that may be established by mandatory provisions of laws or regulations. The percentage equity stake established to present lists is communicated from time to time in the notice of convocation of the general meeting called to resolve upon the appointment of the Board of Directors. You are advised that at the time of the General Meeting to appoint the Board of Directors of the Company on 21 April 2015, the shareholding established by Consob (resolution no. 19109/2015) pursuant to art.144-querter of the Issuer Regulations, stood at **1%** of the share capital.<sup>2</sup>

The Bylaws do not make provision for the faculty pursuant to art. 147-ter, sub-section 1, TUF.

The procedure for the election of the directors is as follows:

- i) directors representing the number of members of the board of directors less one shall be taken from the list which has received the majority of the votes expressed by the shareholders, in the progressive order with which the candidates were listed on the list;
- ii) the last director shall be taken from the second list which is not related in any manner, including indirectly, with the list referenced in the preceding letter i) or with the shareholders who presented or voted the list referenced in the preceding letter i), and which obtained the second highest number of votes expressed by the shareholders.

Should the candidates elected with the procedure indicated above not result in the appointment of a number of directors in possession of the independence requirements established by the law and regulations equal to the minimum number established by the law and regulations in relation to the total number of the directors, the last non-independent candidate elected listed on the list which received the highest number of votes, referenced in letter i) of the preceding Paragraph, will be substituted by the first independent candidate not elected according to the progressive order of such list, or, in absence thereof, by the first independent candidate not elected according to the progressive order of the other lists, according to the number of votes obtained by each list. Such substitution procedure shall continue until the board of directors has a number of members in possession of the independence requirements established by the law and regulations equal at least to the minimum set by the law and regulations.

If at the end of voting the Board does not have the minimum number of directors of the least represented gender as established by the law, the last candidate of the most represented gender elected on the list which received the majority of votes will be replaced by the first candidate in the same list of the least represented gender not elected pursuant to the previous paragraphs; if the minimum number of directors of the least represented gender is not achieved in this way, the aforementioned replacement procedure is also applied to minority list candidates (on the condition that the lists contain at least three candidates).

Finally, should the aforementioned procedures not ensure the appointment of a number of directors in possession of independence requirements and/or of the minimum number of

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<sup>2</sup> The shareholding for the current year, established by Consob with resolution no. 19499, 28 January 2016, stands at 1%.



directors of the least represented gender, as established by the law and regulations, the substitution shall occur with a resolution passed by the relative majority at the shareholders' meeting, subject to the presentation of candidates in possession of the necessary requirements. Should only a single list be presented, all the directors to be elected shall be taken from this list in progressive order, until the number fixed by the shareholders' meeting has been achieved, without prejudice to compliance with the requirements established by the law and regulations and by the bylaws on the subject of the composition of the board of directors and, specifically, gender balance.

Should no list be presented, the shareholders' meeting shall deliberate with the majorities provided by the law, without observing the procedure provided above, in such a way as to ensure compliance in any case with the requirements established by the law and regulations and by the bylaws on the subject of the composition of the board of directors and, specifically, gender balance.

Notwithstanding the foregoing, any different or other provisions provided by mandatory laws or regulations shall prevail.

Specifically, because the Company is subject to the direction and coordination activities of Mediaset S.p.A., the provisions of art. 37 of the Market Rules are applicable to the composition of the Board of Directors. Therefore, the Board of the Company is composed of a majority of independent directors, while the Committees within the Board (Control and Risks Committee and Remuneration Committee) are composed entirely of independent directors.

As an issuer in the STAR segment, the provisions of art. 2.2.3, sub-section 3, letter l) of the Borsa Italiana Rules are applicable to the Company, entailing the application, so far as concerns the composition of the Board, as well as the role and functions of the non-executive and independent directors, of the application principles and criteria provided by articles 2 and 3 of the Self-Disciplinary Code.

As set out in **Table 2** at the end of this Report, 6 directors out of a total 9 members of the Board (Alberto Giussani – Chairman – Paola Casali, Manlio Cruciatti, Rosa Maria Lo Verso, Michele Pirota and Francesco Sironi), are in possession of the independence requirements established by the TUF, by the aforementioned art. 37 of the Market Rules and by the Self-Disciplinary Code.

The composition of the Board of Directors also complies with the measures prescribed by the Competition and Markets Authority on the subject of directors' independence (provision no. 23117, 14 December 2011, with which the Authority authorised merger of DMT S.p.A. and EI Towers S.p.A. on 2 January 2012).

For further details regarding directors' independence, see paragraph 4.6 of this Report.

Finally, you are advised that the statutory provisions, introduced by resolution of the General Meeting on 18 April 2013, with the aim of guaranteeing compliance with current legislation on the subject of gender balance, were applied for the first time during the reappointment of the Board of Directors resolved by the General Meeting on 21 April 2015.

#### *Replacement of Directors*

Art. 13 of the Bylaws makes provision that should one or more directors appointed on the basis of the list vote no longer serve in office during the year, such director(s) shall be replaced with persons listed on the same list as the director(s) to be replaced, or should there be no more candidates not elected from such list or no candidates with the necessary requirements, the board of directors shall arrange for the replacement pursuant to Article 2386 of the Italian civil

code, just as the shareholders' meeting shall arrange thereafter for the substitution with the majorities provided by law, without any list vote. In any event, the board and the shareholders' meeting shall proceed with the appointment in such a manner as to ensure compliance in any case with the requirements established by the law and regulations and by the bylaws on the subject of the composition of the board of directors and, specifically, gender balance.

### **Succession plans**

In consideration of the company structure, the mechanisms for appointing and replacing directors and delegations of power as they stand, the newly appointed Board, in the meeting of 22 April 2015, also pursuant to article 5.C.2 of the Self-Disciplinary Code has decided not to introduce succession plans for executive directors.

### **4.2 COMPOSITION (art. 123-bis, sub-section 2, letter d), TUF)**

Pursuant to art. 13 of the Bylaws, the Company is administered by a Board of Directors consisting of a minimum of 5 and a maximum of 21 members, who remain in office for a period, as determined by the shareholders' meeting, of no more than 3 years and may be re-elected.

In detail, the General Meeting on 21 April 2015, after establishing the number of directors, increasing same from seven to nine, elected the Board of Directors of the Company for financial years 2015-2017, confirming the appointment of outgoing Directors Alberto Giussani, Guido Barbieri, Manlio Cruciatti, Valter Gottardi, Piercarlo Invernizzi and Michele Pirotta, and appointing three new Directors, Paola Casali, Rosa Maria Lo Verso and Francesco Sironi. The General Meeting concurrently confirmed the appointment of Alberto Giussani to the office of Chairman of the Board of Directors.

With the aforementioned General Meeting, which represented the natural expiry of the previous Board of Directors, Director Richard Hurowitz (independent member) ceased to be a Director.

The current Board therefore consists of **nine** members of whom eight - Alberto Giussani, appointed chairman (independent director), Guido Barbieri (executive director), Valter Gottardi (executive director), Piercarlo Invernizzi (executive director), Manlio Cruciatti (independent director), Michele Pirotta (independent director), Paola Casali (independent director) and Rosa Maria Lo Verso (independent director) - were taken from the list presented by the majority shareholder Elettronica Industriale S.p.A., representing **40.001%** of the share capital (**List no. 2**), and one – Francesco Sironi (independent director) - taken from the minority list that received the second highest number of votes, presented by shareholders representing a total stake of **3.77%** of the share capital of the Company (**List no. 1**).

Below are the candidates in each list presented and the relative percentage of votes obtained in relation to the voting capital (22,341,439 shares equal to **79.05%** of the share capital):

- candidates on **List No. 1**: Francesco Sironi and Massimo Belcredi. The list obtained no. 10,422,336 votes equal to **46.65%** of the voting capital;
- candidates on **List No. 2**: Alberto Giussani, Guido Barbieri, Valter Gottardi, Piercarlo Invernizzi, Manlio Cruciatti, Michele Pirotta, Paola Casali, Rosa Maria Lo Verso, Alessandro Serio and Francesca Broussard. The list obtained no. 11,305,120 votes equal to **50.60%** of the voting capital.

The Board of Directors met on 22 April 2015 and confirmed the appointment as CEOs of Guido Barbieri (CEO Corporate and Management) and Valter Gottardi (CEO Business) (for more information see paragraph 4.4 in this Report).

The composition of the Board of Directors is set out in **Table 2** at the end of this Report.

Information regarding the personal and professional characteristics of the members of the Board of Directors of the Company is provided below.

**Alberto Giussani**: born in Varese on 23 August 1946, in 1972 he graduated from Cattolica University, Milan, with a degree in Economics. He is entered in the register of Independent Auditors and, since 1979, in the register of Professional Accountants. He joined PricewaterhouseCoopers in 1973, became a partner in 1981 and resigned on 30 June 2007. During his career as an auditor, he has managed audits of major Italian companies, including multinationals, listed in Italy and on the US stock market. In charge of the Professional Accounting Practices and International Accounting courses at Cattolica University in Milan, since 1981 he has been a member of the Accounting Standards Commission of the Italian Accounting Profession and at present is Vice Chairman of the Technical and Scientific Committee of the Italian Accounting Entity, as well as a member since 2001 of the Standard Advisory Council of the International Accounting Standards Committee. He is a former Chairman of Assirevi (the Association of Italian Auditors) in the three-year period 2004-2006, a Director from 1980 to October 2006, a member of the working group responsible for the first revision of the Self-Disciplinary Code of listed companies and a member of the Audit Board of Borsa Italiana before its privatisation. He has held various offices, including Board Director of Credito Artigiano S.p.A., Chairman of the Board of Statutory Auditors of Mediaset S.p.A. and member of the Board of Statutory Auditors of Luxottica S.p.A.; at the date of this Report, he is a Board Director of Fastweb S.p.A., Chairman of the Board of Statutory Auditors of Vittoria Assicurazioni S.p.A., a member of the Board of Statutory Auditors of Falck Renewables S.p.A., Luxottica Group S.p.A. and Carlo Tassara, Chairman of the Audit Board of Biblioteca Ambrosiana and a member of the Board of Statutory Auditors of Caritas Ambrosiana, as well as a board director of Istituto Diocesano per il Sostentamento del Clero. At the present time, as an Independent Director, he is Chairman of the Board of Directors, Chairman of the Remuneration Committee and a member of the Company's Control and Risks Committee.

**Guido Barbieri**: born in Milan on 12 June 1966, in July 1990 he graduated with honours in Economics from Luigi Bocconi University, Milan, where he subsequently collaborated on a research project about media groups in Europe. He began his professional career in 1991 in Fininvest S.p.A., as planning analyst in the Group Planning and Control Management Office, before going on to be appointed Consolidated Budget and Reporting Manager of the Television Division. In 1995, he moved to Mediaset S.p.A. as Group Consolidated Financial Statements and Budget and Reporting Manager. In 1997, he was also put in charge of the M&A function. In 2000, he was appointed Vice General Manager of Mediatriade S.p.A. (the group company operating in the purchase and sale of rights on international markets and the production of fiction content), becoming General Manager in February 2002 and chairman of the Board of Directors in July the same year. From January 2003 to June 2011, he was General Manager of the Rights Area of RTI and in September 2007 was also put in charge of the Sports Rights area. In the second half of 2011, he was Project Manager for the EI Towers – DMT S.p.A. Merger. At the

present time he is in charge of the Management Division of EI Towers and his sole appointment is as CEO of the Company.

**Valter Gottardi**: born in Arcore on 29 November 1955, in academic 1973-1974 he gained a diploma as Electronics Technician from Vimercate Istituto Tecnico Industriale Statale. He began his professional career at Telettra Vimercate (now Alcatel), where he worked from 1975 to 1980 as customer assistance manager for the PCM digital multiplex line of products. From 1980 to 2011, he was employed by Elettronica Industriale S.p.A., where he was Production Manager, Technical Manager and General Manager. From 2001 to 2011, he was also a member of the Board of Directors. At the present time he is in charge of the Business Division of EI Towers and his only appointment is as CEO of the Company.

**Paola Casali**: born in Milan on 19 October 1967, she graduated with honours in Law from Milan University. She was registered with the Milan bar association from 1996 to 1999. She registered as a Notary Public in Milan in 1999 and in the same year became a lecturer at the Lombardy Notary Public School. After working in well-known law firms in Milan specialising in commercial and company law, since 1999 she has been a practicing notary public. From 1994 to 1998, she was a member of the Committee for Legal Cooperation at the Council of Europe. She is the author of numerous articles in specialist journals (including “Le Società” and “Immobili e Proprietà”). At the present time she is an Independent Director and a member of the Company’s Remuneration Committee.

**Manlio Cruciatti**: born in Trieste on 6 November 1949, in academic 1967-1968 he gained a diploma as an Industrial Technician from Istituto Tecnico Industriale A. Volta (Trieste). He began his professional career with a two-year stint at the Italian national research council (CNR) at Trieste University. Then, from 1970 to 1979, he worked at RAI Radiotelevisione Italiana and from 1980 to 2008 in Mediaset Group (Telemilano, Videotime, RTI). Since 2008 (the year of his retirement), he has undertaken various professional assignments in the world of film (ANICA, Universal Multimedia Access, Artech) and television, also at international level (RTI, Rede Globo – Brazil, Albertis Telecom – Spain). He is also a former Chairman of the Association of Audiovisual Technical Industries and a member of the DVB (Digital Video Broadcasting) Steering Committee. He provides consulting services through the company MC – Consulting S.a.s. At the present time he is an Independent Director and a member of the Company’s Control and Risks Committee.

**Piercarlo Invernizzi**: born in Monza on 28 June 1965, he graduated from Politecnico di Milano with a degree in Electronic Engineering. In 1992, he began to work at Elettronica Industriale S.p.A., first in the pay-TV area at Telepiù and then coordinating the development of the first control systems in television transmitters and the digital broadcast automation system for commercials on Mediaset channels. In 2000, after completing a master’s course in “Business Innovation and Management” at the Politecnico di Milano School of Management (MIP), he moved to RTI S.p.A. as the Assembly and Broadcast Office Manager, where he coordinated the technology and organisation innovation process through to full channel automation and digitalisation and the launch of Mediaset’s pay-TV platform on Digital Terrestrial Television. In 2005, he returned to Elettronica Industriale S.p.A. as coordinator of the DVB-H project and in 2006 was appointed Technical Manager. At the present time he is in charge of the Technical

Management Office at EITowers and his sole appointment is as Executive Director of the Company.

**Rosa Maria Lo Verso**: born in Milan on 3 September 1965, in 1984 she gained a diploma in Accounting and Commerce from Istituto Tecnico Commerciale Leonardo da Vinci in Cologno Monzese. She is entered in the register of Independent Auditors and, since 1987, in the Monza and Brianza Association of Professional Accountants. She is Chair of the Local Entities and Tax System Commission (Monza and Brianza Association of Professional Accountants and Accounting Experts) and a member of the Organising Committee of the training school for professional accountants and accounting experts. She is a practicing accountant and has acted and continues to act as an auditor and a member of the board of statutory auditors and the supervisory body of various corporations (including a member of the supervisory body of Promoservice Italia S.r.l. and Digitalia 08 S.r.l. in Mediaset group). At the present time she is an Independent Director of the Company.

**Michele Pirotta**: born in Milan on 11 May 1964, in 1990 he graduated from Luigi Bocconi University, Milan, with a degree in economics. He is entered in the register of Auditors and, since 1991, in the Milan Association of Professional Accountants and Accounting Experts. He is Director and Treasurer of the Milan Association of Professional Accountants and Accounting Experts, Representative of the Professional Accountant Pension Fund and formerly a member of the Management Committee of Professional Associations and the Professional Accountant Foundation in Milan. A practicing accountant, he is the owner of a firm of associated professionals operating in the field of corporate, commercial and tax consulting; he is a Representative of ANREV (the Italian national association of auditors) and CEO of the Milan Association for the Employment Commission and for the Professional Accountant Pension Fund Commission, as well as being a member of the board of directors, the board of statutory auditors and the supervisory body of various corporations (including a member of the control body of companies in the E.ON group, BAYER and Deutsche Bank). At the present time he is an Independent Director and Chairman of the Company's Control and Risks Committee.

**Francesco Sironi**: born in Rovereto on 13 May 1969, in 1992 he graduated with honours in Business Economics from Luigi Bocconi University in Milan. He began his professional career with a three-year stint in the Investment Banking and Corporate Finance divisions of Morgan Stanley; since 1995 he has worked in BS Private Equity, initially as Investment Manager, before becoming a partner in 1999 and Managing Partner in 2003. Since 2015, he has also been Head of Business Development at Idea Capital Funds SGR, a De Agostini group company. He is the owner and sole director of the company FSH S.r.l.; he has acted and continues to act as a member of the board of directors of various corporations. At the present time he is an Independent Director and a member of the Company's Remuneration Committee.

For more information about the personal and professional characteristics of the members of the Board of Directors of the Company, please consult the information available on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Corporate Bodies/ Board of Directors section.



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

On 17 May 2016, the Board of Directors, also pursuant to article 5.C.1, letter a), Self-Disciplinary Code, confirmed its position on the maximum number of offices held in other companies (in companies listed on regulated markets, including foreign markets, in financial, banking and insurance companies, or in large companies). On the basis of this position:

an **executive director** should not hold:

- the office of executive director in another listed Italian or foreign company, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn) and
- the office of non-executive director or statutory auditor - or member of another control body - in more than five listed Italian or foreign companies, in financial, banking or insurance companies or in large companies (net equity greater than Euro 10bn);

a **non-executive director** should not hold:

- the office of executive director in more than three listed Italian or foreign companies, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn) and the office of non-executive director or statutory auditor - or member of another control body - in more than five listed Italian or foreign companies, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn) or
- the office of non-executive director or statutory auditor - or member of another control body - in more than ten listed Italian or foreign companies, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn).

These limits do not include the offices held in the Issuer and in EI Towers Group companies.

In the event that these limits are exceeded, the director promptly informs the Board of Directors, which assesses the situation in light of the Company's interests and invites the director in question to act accordingly.

The Board of Directors takes note annually, based on the information received from each director, of the offices of director and/or statutory auditor they hold in other companies. The current composition of the Board is in compliance with the aforementioned criteria.

Below are the offices held by the members of the Board of Directors of the Issuer in other companies:

Alberto Giussani: Member of the Board of Statutory Auditors of Falck Renewables S.p.A., Member of the Board of Statutory Auditors of Luxottica Group S.p.A., Member of the Board of Statutory Auditors of Carlo Tassara S.p.A., Chairman of the Board of Statutory Auditors of Vittoria Assicurazioni S.p.A., Director of Fastweb S.p.A.

Guido Barbieri: -

Paola Casali: -

Manlio Cruciatti: -



Valter Gottardi: -

Piercarlo Invernizzi: -

Rosa Maria Lo Verso: -

Michele Pirota: -

Francesco Sironi: CEO of BS Private Equity, Director of Sessantotto S.r.l. and Sole Director of FSH S.r.l.

### ***Induction Programme***

During the financial year, the directors of the Company took part in initiatives designed to give them a better understanding of the Company's business, of the sector in which the Company operates and of the legislative and regulatory framework. Specifically, on 24 June 2015, the newly appointed directors and statutory auditors took part in a study initiative held in Lissone, with the support of company management, on the subject of markets and the regulatory framework in which EI Towers operates, the main network services offered by the Company, the network management process and the organisational structure of the Business Division.

On 5 November 2015, the Directors and Statutory Auditors visited the Network Operating Center (NOC) and the Radio Electric Studies Department in Lissone, where they gained a better understanding, with the support of company management, of monitoring activities on radio and fibre optic links and of planning sites and radio electric studies with a view to designing coverage and the verification of television networks.

The above initiatives were organised, as instructed by the Chairman, by the Corporate Affairs Office, with the involvement of the competent corporate management figures (Division Managers and/or Function Managers).

### **4.3 ROLE OF THE BOARD OF DIRECTORS (art. 123-bis, sub-section 2, letter d), TUF)**

The Board of Directors plays a central role in the corporate organisation structure, in the structure of the EI Towers Group and in the Company's governance system. It defines the EI Towers Group's strategic plans and periodically monitors their progress and implementation.

The Board meets regularly, in compliance with current legislation and a calendar of work, and organises itself and acts in such a way as to ensure that it performs its functions effectively and efficiently.

The Board is vested with the powers provided by the law and the Bylaws (art. 15). It is in particular vested, within the limits of the company purpose, with all powers of ordinary and extraordinary administration. The Bylaws also establish that the Board of Directors is competent to resolve on the matters indicated in paragraph 2, letter l) above in this Report.

During the financial year, the Board met a total of 13 times (the outgoing Board met six times and the newly appointed Board seven times), with overall attendance by directors standing at **100%**. The attendance details for each director are set out in **Table 2** at the end of this Report. The average length of each meeting was about two hours and fifteen minutes.

As disclosed to the market in the financial calendar, four meetings have been planned in financial 2016 for the examination of the Financial Reports. As at the date of this Report, three meetings have been held.

The Chairman provides pre-board meeting information with the support of the Board Secretary. In the days prior to the meetings, usually two days previously, which is a term deemed to be appropriate by the Board, the directors and statutory auditors are provided with a confidential preview of the documentation regarding the agenda. The aforementioned term of notice is usually respected, unless in cases in which there are matters on the agenda involving information that requires even greater confidentiality or the Board is asked to come to a resolution in a timely manner. In these cases, mainly in relation to the examination of extraordinary or particularly important operations, the term of notice is reduced to the day immediately prior to or on the same day as the Board meeting. As confirmed at the time of the annual self-assessment (see below in this paragraph), the Board's examination and discussion of the items on the agenda are comprehensive. During Board meetings, the Chairman ensures that enough time is devoted to the examination and discussion of each item of business, encouraging the participation of the directors and contributions from the Committees with regard to certain Board decisions. The CEOs, also with the support of the managers of the corporate functions involved, where deemed useful or necessary, constantly ensure that the Board receives comprehensive information regarding the items discussed and business operations in general.

Usually, the board meetings called for the periodic examination of the Company's accounts are attended by the CFO and the Manager charged with preparing the company's accounting documents (see paragraph 11.5 in this Report). During the financial year, Board of Directors' meetings have been attended with regard to individual items of business on the agenda or specific aspects, by other company managers (the Central Management, Development and Communication Manager of EI Towers Group and the Investor Relations manager) and/or consultants.

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As required by article 1.C.1, letter a) of the Self-Disciplinary Code, the Board of Directors examines and approves the strategic, business and financial plans of the Company and the EI Towers Group it heads, the system of corporate governance of the Company and the EI Towers Group structure. You are reminded that on 29 September 2014 the Board approved the Business Plan of EI Towers Group for 2014-2018. With the frequency established by the Bylaws (art. 15) and specifically at the time of the examination and approval of the periodical Financial Statements, the Board, based on reports and information received from the Managing Directors, assesses the general management trend and monitors the implementation of the Business Plan approved, comparing the results reported with those planned and announcing any new quantitative objectives.

As required by article 1.C.1, letter c) of the Self-Disciplinary Code, during the year the Board of Directors assessed the adequacy of the organisational, administrative and accounting arrangements of the Company and its subsidiary companies of strategic importance, also with reference to the internal control and risk management system. The assessments were supported by special reports prepared by the bodies delegated to do so, describing the various operating and control structures. You are advised that at the meeting held on 22 April 2015, the Board of Directors confirmed that TowerTel S.p.A. is a subsidiary company "of strategic importance".<sup>3</sup>

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<sup>3</sup> Taking account of the equity interests of EI Towers Group and on the basis of the significance criteria pursuant to article 151, Issuer Regulations.

The Board examines and approves, on a prior basis, transactions of significant strategic, economic, equity or financial importance performed by the Company and its subsidiary companies, in accordance with the Guidelines on the “transactions of significant importance” of the Company, as brought up-to-date by the Board in the meeting on 24 June 2015. The criteria for identifying such operations refer, in terms of type and/or limits of amount, both to extraordinary operations and ordinary business.

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On 17 December 2015, the Board of Directors conducted the annual Board Performance Evaluation, after assigning to the Chairman, an independent director, the task of defining the process and establishing the subjects to discuss, and after previously deciding not to call in outside consultants. In compliance with the provisions of the Self-Disciplinary Code and in consideration of the guidelines issued by the Corporate Governance Committee, the Board focused the annual self-assessment on the traditional areas of study, or in other words the size, composition and operation of the Board and its Committees, identifying any areas for improvement, in addition to monitoring the initiatives undertaken on the basis of the suggestions to emerge during the previous Board Assessment, the subject of which was the end of mandate report on the outgoing Board.

Specifically, the Chairman, with the support of the Corporate Affairs Office, submitted to the Board Directors a questionnaire with a series of questions about the aforementioned subjects, asking each of them for their evaluation of each individual question according to a scale of values. The results obtained for each area, processed anonymously and in aggregate form, on the basis of the answers provided, were communicated on a prior basis to the Board Directors and Statutory Auditors so that they could be examined and discussed during the board meeting on 17 December 2015.

In consideration of the fact that the Board is still in the initial stages of its term in office, the evaluation touched on all the areas of operation of the Board (including the planning, organisation and management of meetings, information notices prior to and during board meetings, attendance of board meetings and contributions to discussions, the decision-making process, the strategic and steering role of Board, compliance governance, information notices to delegated bodies and support for Committees, induction sessions and interaction with corporate management, minutes of meeting) with a special focus, so far as Committees are concerned, on related party transactions (Control and Risks Committee) and Incentive Plans / Remuneration Policy (Remuneration Committee).

The results of the self-assessment process have revealed general approval of and satisfaction with the operation of the Board and the Committees. Specifically, the size of the Board and the Committees is unanimously regarded as appropriate, while their composition is deemed balanced overall and with the right mix of skills, experiences and diversity.

One of the points of strength to emerge was the proactive management by the Chairman of the work of the Board, which takes place in a positive and collaborative atmosphere. The meetings and study sessions organised during the year with the company’s top management team and executives, with the aim of fostering a knowledge of the sector in which the Company operates and the relative business activities, were thought to be particularly worthwhile and profitable. At operating level, the following were deemed to be adequate, in line with past evaluations: the planning, frequency and organisation of meetings, documentation regarding the items on the agenda, its availability within the established term, the preparation of minutes of meeting and the information provided by the directors for the purpose of assessing the matters submitted for the examination of the Board. The contribution, in terms of quality, promptness and continuity,

of the information provided to the Board by the CEOs on the items on the agenda was deemed to be qualified and comprehensive. A positive judgement was also expressed on the interaction between the Board and the CEOs and managers of the Company called on to report on matters in their sphere of competence.

Likewise, the number of Committees, their size and their operation have been deemed, as in previous years, to be adequate and likewise the preliminary, advisory and proactive activities performed to support the decisions of the Board of Directors have been deemed to be effective. With regard to matters in connection with the internal control and risk management system, the adequacy and comprehensiveness was noted of the information provided to the Control and Risks Committee (and the Board of Statutory Auditors) on the subject of related parties and the constant and effective exchange of information between the Committee and the Board of Statutory Auditors in the performance of their respective duties. On the remuneration front, Remuneration Policy, particularly with regard to the executive directors, was deemed to be adequately balanced in terms of strategic objectives and risk management policy. Finally, you are advised that there is a high level of compliance of the Board and Committees with the recommendations of the Self-Disciplinary Code.

Taken as a whole, the Board has worked with the common intent of achieving the goals set, showing efficiency and effectiveness in the work performed and the ability to take collegiate decisions in the interests of all Shareholders.

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The General Meeting has not authorised any exceptions to the prohibition of competition established by art. 2390, Italian civil code.

#### **4.4 DELEGATED BODIES**

##### **CEOs**

Taking account of the Company's organisational structure, in its meeting on 22 April 2015, the Board of Directors confirmed the appointment of Directors Guido Barbieri and Valter Gottardi as CEOs of the Company.

**CEO** Guido Barbieri, in charge of the Corporate and Management Division of the Company, was confirmed as having the same duties and responsibilities in this area, with powers of ordinary administration up to the maximum amount of Euro 2,500,000.00 per individual operation. Pursuant to the Bylaws, CEO Guido Barbieri represents the Company within the limits of the powers conferred upon him.

**CEO** Valter Gottardi, in charge of the Business Division of the Company, was confirmed as having the same duties and responsibilities in this area, with powers of ordinary administration up to the maximum amount of Euro 2,500,000.00 per individual operation and with powers of extraordinary administration up to the maximum amount of Euro 500,000.00. Pursuant to the Bylaws, CEO Valter Gottardi represents the Company within the limits of the powers conferred upon him.

The situation of interlocking directorate envisaged by the Self-Disciplinary Code does not apply to the CEOs because they do not hold directorships at other issuers.

#### 4.5 OTHER EXECUTIVE DIRECTORS

In addition to the CEOs, director Piercarlo Invernizzi (the EI Towers S.p.A. Technical Office manager) is an executive director on the Board.

#### 4.6 INDEPENDENT DIRECTORS

You are reminded that the provisions of art. 37 of the Market Rules on the subject of the composition of the Board of Directors are applicable to the Company, which is subject to the direction and coordination of Mediaset S.p.A.. The Board of EI Towers S.p.A. is therefore composed of a majority of independent directors, and likewise the Committees within the Board (Control and Risks Committee and Remuneration Committee) are composed entirely of independent directors. The composition of the Board is also in compliance with the provisions of art. 2.2.3, sub-section 3, letter l) of the Borsa Italiana Rules, with reference to STAR issuers, which entail the application of the principles and implementation criteria provided by articles 2 and 3 of the Self-Disciplinary Code to the composition of the Board and the role and functions of the non-executive and independent directors.

Pursuant to the Self-Disciplinary Code and current regulations, on 22 April 2015, during the first board meeting after appointment at the general meeting, on the basis of information and statements provided by interested parties and available to the company, the Board assessed the independence requirements of its non-executive directors Alberto Giussani – Chairman – Paola Casali, Manlio Cruciatti, Rosa Maria Lo Verso, Michele Pirotta and Francesco Sironi, and announced the outcome of the assessment that same day.

As also set out in **Table 2** at the end of this Report, all the aforementioned directors are in possession of the independence requirements pursuant to art. 148, sub-section 3, TUF, to the Self-Disciplinary Code and to art. 37 of the Market Rules.

The Board performed its assessments taking account more of the substance than the form, applying the criteria set out in the Self-Disciplinary Code.

Each independent Director has also undertaken to inform the Board of Directors promptly of situations in which their independence requirements no longer exist.

The independence of the directors is assessed annually by the Board, also in relation to compliance with the measures prescribed by the Competition and Markets Authority on the subject of the directors' independence (provision no. 23117, 14 December 2011, with which the Authority authorised the merger between DMT S.p.A. and EI Towers S.p.A. on 2 January 2012). The verification, conducted on 22 April 2015 on the basis of the statements provided by each director and on information available to the Company, confirmed compliance with the aforementioned measures.

The Board of Statutory Auditors verified the correct application of the evaluation criteria and procedures introduced by the Board of Directors to assess the independence of its directors and was in agreement with the relative outcomes, also in relation to the requirements of the Anti-Trust Authority.

On 28 September 2015, the Independent Directors were convened to meet without the other Directors. The main subject of the meeting was the organisation and operation of the meetings

of the Board and the Committees (pre-board meeting information notice and supporting documentation, attendance of the meetings by company managers and a knowledge of the business and management of the Company), as well as the study initiatives arranged for Directors and Statutory Auditors and the approach to performing the annual Board Performance Evaluation. At the end of the meeting, the Independent Directors met the competent company functions for an update on the start of operations of the newly incorporated NETTROTTER S.r.l., a company dedicated to the development in Italy of an Internet of Things network.

#### **4.7 CHAIRMAN OF THE BOARD OF DIRECTORS**

The General Meeting of 21 April 2015 confirmed the appointment of Mr Alberto Giussani, non-executive independent director, as Chairman of the Board of Directors, who represents the Company pursuant to the Bylaws.

You are reminded that the majority of the members of the current Board of Directors are independent directors, including the Chairman. No management powers were therefore conferred upon him.

The Chairman convenes and directs the board meetings, coordinating the activities of the Board with the support of the Head of Corporate Affairs Office and the Board Secretary.

#### **4.8 BOARD BRIEFING**

Also pursuant to the Bylaws (art. 15), the CEOs, each in their own sphere of responsibility, provide wide-ranging, comprehensive information during all board meetings about all the items on the agenda and on the activities performed in exercising the powers conferred upon them.

At least quarterly, and specifically at the time of the examination of the periodic Financial Reports, the CEOs report to the Board of Directors and the Board of Statutory Auditors on the general management trend and its foreseeable evolution, as well as on the most significant operations performed by the Company and its subsidiaries.

Finally, in compliance with the provisions of the bylaws, the civil code and the Related Party Procedure, the delegated bodies, during the first useful meeting, provide a wide-ranging information briefing on transactions with the company that performs direction and coordination activities with regard to the Company, describing the main terms and conditions and the relative reasons, also in relation to the interests underlying the performance of same.

#### **4.9 LEAD INDEPENDENT DIRECTOR**

In light of the previous paragraphs, the conditions set out by art. 2.C.3, Self-Disciplinary Code, for the appointment of a Lead Independent Director do not exist.

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The Board of directors has not set up an Executive Committee.



## 5. TREATMENT OF CORPORATE INFORMATION

### Insider information

On 26 July 2012, as proposed by the Chairman, the Board of Directors adopted the EI Towers S.p.A. “Management and disclosure of insider information” procedure (hereafter also the “Insider Information Procedure”). This procedure also regulates the “Register of persons with access to insider information” (the so-called “Insider Register”) pursuant to art. 115-bis, TUF.

The Insider Information Procedure is applied to the members of the corporate bodies and the employees of the Company and its subsidiary companies who have access to significant and/or insider information.

The management of corporate information is supervised by the CEO Corporate and Management, who draws on the contributions of the internal Corporate Affairs Office and the Central Management, Development and Communication Office functions.

Everyone to whom the procedure is applicable are bound to keep confidential the documents and information acquired during the performance of their duties, and insider information in particular. Disclosures to the authorities and the public are performed within the terms and in the manner established by current regulations, in compliance with the principle of information parity and the provisions of the Insider Information Procedure.

The Company’s competent corporate functions have made provision for the diffusion of the Insider Information Procedure among the human resources of the Issuer and its subsidiary companies.

The CEO Corporate and Management, as charged by the Board of Directors, constantly monitors the application and revision of the procedure in order to ensure that it is effective.

The persons entered in the Insider Register are those who, because of their business or professional activities, or as a result of the functions they perform in the framework of relationships with the Issuer and/or its subsidiary companies, have access to significant and/or insider information.

Based on the provisions of art. 152-bis, sub-section 4 of the Issuer Regulations and for the purposes of process optimisation, a sole Insider Register has been established, managed directly by the Company, through which the relative obligation is discharged both for EI Towers and for the subsidiary companies which have authorised this procedure.

The Company has determined that the person responsible for the keeping, management and updating of the Insider Register is the Head of Corporate Affairs Office.

On 26 June 2014, the Board of Directors took note of the regulatory changes introduced in the Procedure, mainly with regard to forecasts on the storage and filing of information subject to the regulations (following the activation of the first storage mechanism authorised by Consob) and with regard to the Insider Register (with the inclusion of the rating agencies among the possible subjects to enter in the Insider Register, pursuant to EU regulation no. 596/2014 on market abuse).

### Internal Dealing

On 27 September 2012, the Board of Directors adopted the EI Towers S.p.A. procedure on the “Management and disclosure of transactions performed by significant persons and by persons closely associated with them” (hereafter also the “Internal Dealing Procedure”). This procedure regulates internal management and the disclosure to Consob and the public of transactions performed by significant persons and persons closely associated with them (so-called “*Internal Dealing*”), pursuant to art. 152-sexies and subsequent of the Issuer Regulations.

The Internal Dealing Procedure is applied to the significant persons in the Issuer and, where identified, in significant subsidiary companies.

The competent corporate functions of the Company have made provision for the diffusion of the Internal Dealing Procedure among the human resources of the Issuer and its subsidiary companies.

The CEO Corporate and Management, as charged by the Board of Directors, makes provision for the constant monitoring of the application and revision of the procedure in order to ensure that it is effective.

The Company has identified the Corporate Affairs Office manager as the person responsible for the receipt, management and disclosure to Consob and the public of the transactions performed by significant persons and the persons closely associated with them.

On 26 June 2014, the Board of Directors took note of the regulatory changes introduced in the Internal Dealing Procedure, with reference to provisions on the subject of the storage and filing of the information subject to the regulations (following the activation of the first storage mechanism authorised by Consob).

In compliance with the provisions of Borsa Italiana Rules and pursuant to the Internal Dealing Procedure (as well as to EU Regulation no. 596/2014 on market abuse), significant persons are prohibited from performing transactions in the 15 days prior to the approval by the Board of Directors of the Company’s accounting data for the period (so-called “Black Periods”).

You are finally advised that, in accordance with the provisions of the Issuer Regulations and the Internal Dealing Procedure, transactions performed by significant persons pursuant to art. 152-sexies, sub-section 1, letter c.4) of the Issuer Regulations may be notified to Consob and the public by the Company on behalf of such persons, on the condition that, following agreement, same send the Company information regarding the transactions performed within the term provided by art. 152-octies, sub-section 4 of the Issuer Regulations.

In compliance with Consob recommendations, the Company has made provision to create a special “Internal Dealing” section on its website ([www.eitowers.it](http://www.eitowers.it), Governance/Internal Dealing section).

## **6. BOARD COMMITTEES (art. 123-bis, sub-section 2, letter d), TUF)**

Pursuant to the Bylaws (art. 15), the Board of Directors may set up one or more committees and/or commissions, purely for the purposes of consulting and/or making proposals, also in order to align the corporate governance system with the model stipulated by the Self-Disciplinary Code. The Board of Directors determines the number of members of each committee and/or commission and the duties attributed to same.

On 22 April 2015, the newly appointed Board confirmed the establishment of the Control and Risks Committee and the Remuneration Committee, consisting entirely of independent directors. The establishment and operation of the Committees comply with the criteria set out in the Self-Disciplinary Code.

The Committees have adopted their own operating rules and annual calendar of meetings, and report periodically to the Board on the activities performed. Starting in 2016, the Chairmen of the Committees, during the first Board Meeting possible, report on the meetings held.

The Control and Risks Committee has also been confirmed by the Board of Directors as the competent committee with regard to the related party procedure and transactions of EI Towers Group, in application of the Company's Related Party Procedure (for more information see paragraph 12 in this Report).

## **7. APPOINTMENTS COMMITTEE**

As the Board of Directors is composed of a majority of independent directors, and in consideration of the fact that the list voting mechanism established by art. 13 of the Bylaws (see paragraph 4.1 above in this Report) ensures that the appointment procedure is transparent and that the composition of the Board is balanced, also in the event of the replacement of directors, the Board has not deemed it necessary to establish an Appointments Committee, confirming at the meeting held on 22 April 2015 that the relative functions are performed by the entire Board of Directors and coordinated by the Chairman. As reported in paragraphs 4.1 and 4.2 above, the Board stated its case with regard to the failure to introduce Succession Plans and confirmed its position on the maximum number of appointments its directors may hold, also pursuant to art. 5.C of the Self-Disciplinary Code.

## 8. REMUNERATION COMMITTEE

In compliance with the provisions of art. 37 of the Market Rules and the Self-Disciplinary Code, the Remuneration Committee is composed entirely of independent, non-executive Directors.

Specifically, on 22 April 2015, the Board of Directors appointed as members of the Committee Directors Alberto Giussani, whose appointment as Chairman was confirmed, Paola Casali and Francesco Sironi (elected by the General Meeting from the minority lists), who will remain in office until the natural expiry of the entire Board of Directors. With the General Meeting of 21 April 2015, at the natural expiry of their mandate, Richard Hurowitz and Manlio Cruciatti ceased being members of the Committee.

The Remuneration Committee has adopted its own operating rules, which are aligned with the criteria set out by the Self-Disciplinary Code and with the resolutions of the Board of Directors, according to which the work of the Committee is coordinated by the Chairman. Also pursuant to such rules, no director attends the meetings of the Committee in which the Board of Directors' proposals are formulated in relation to their own remuneration.

During the year the Remuneration Committee met five times (the outgoing Committee met once and the newly appointed Committee three times), with overall attendance by directors standing at **100%**. The attendance details for each director are set out in **Table 2** at the end of this Report. The average length of each meeting was about thirty minutes. Four meetings have been planned for financial 2016, of which two have taken place as of the date of this Report.

The meetings of the Committee, of which minutes have been duly taken, were attended by the Board of Statutory Auditors. The meetings were also attended by the Corporate Affairs Manager, who has been appointed Committee Secretary. At the invitation of the Committee and in relation to individual items on the agenda, meetings were also attended by persons who are not board members and specifically the head of the Human Resources and Organisation Management Office.

The members of the Committee receive an attendance fee for attending each meeting in the amount determined by the General Shareholders' Meeting of 21 April 2015.

### ***Functions of the Remuneration Committee***

In its meeting of 22 April 2015, the Board of Directors assigned the competences provided by the Self-Disciplinary Code to the Remuneration Committee. These duties may be supplemented or modified by resolution of the Board of Directors.

In 2015, the Committee performed the following activities in its sphere of responsibility:

- it assessed the overall consistency and practical application of the Remuneration Policy approved by the General Meeting on 24 April 2014, considering it to be adequate;
- it approved and submitted to the Board of Directors the proposed Medium-Long Term Monetary Incentive System for EI Towers S.p.A. in the period 2015-2017;
- it formulated a proposed Remuneration Policy for directors and managers with strategic responsibilities, which was submitted to the Board of Directors for examination on 19 March 2015, and expressed its favourable opinion with regard to

the second section of the 2015 Remuneration Report illustrating remuneration in previous years;

- it expressed its favourable opinion on the proposal for the division of the total compensation, determined by the General Meeting on 21 April 2015, among the members of the Board, including the Directors given special assignments;
- with regard to the EI Towers Monetary Incentive Scheme for the period 2014-2016, it verified the achievement of the performance objectives established by the Board for the CEOs, in their capacity as directors with strategic responsibilities in the management of the Company, for the purposes of the 2014 MBO annual bonus);
- it approved and submitted to the Board of Directors the proposed Regulations for the 2015-2017 Monetary Incentive System and expressed its favourable opinion with regard to the variable portion of the remuneration proposed for the CEOs, as managers with strategic responsibilities, as well as on the quantitative performance objectives to be achieved by each of them, regarding it as consistent with the Remuneration Policy defined for the Financial Year;
- it conducted the first assessments of the consistency and practical application of the 2015 Remuneration Policy, regarding it as satisfactory.

Work continued during the first months of 2016 and, specifically, two meetings were held during which the Remuneration Committee:

- approved and submitted to the Board of Directors the proposed EI Towers Medium-Long Term Monetary Incentive System for the three-year period 2016-2018;
- confirmed its positive assessment of the overall consistency and practical application of the 2015 Remuneration Policy;
- formulated a Remuneration Policy proposal for directors and managers with strategic responsibilities, which was submitted to the Board of Directors for examination on 17 March 2016, and expressed its favourable opinion on the second section of the 2016 Remuneration Report describing remuneration the previous financial year.

The Board of Directors, during the meeting on 22 April 2015, assigned the Remuneration Committee financial resources amounting to one hundred thousand euros annually to perform its functions, also with recourse to external consultants where deemed necessary and/or appropriate.

During its meetings, as resolved by the Board of Directors, the Committee had access to the corporate information and functions needed to perform the aforementioned duties.

Starting in 2016, the Chairman of the Committee, at the first possible meeting of the Board of Directors, reported on the meetings held by the Committee.

For further information regarding this section of the Report, please see the Company's Remuneration Report published on the [www.eitowers.it](http://www.eitowers.it) website in the Governance/Remuneration section.



## 9. DIRECTORS' REMUNERATION

On 19 March 2015, the Board of Directors, as proposed by the Remuneration Committee, defined the Policy on the remuneration of directors and managers with strategic responsibilities approved by the General Shareholders' Meeting on 21 April 2015.

For information regarding this section of the Report, please see the Remuneration Report for the Financial Year published on the [www.eitowers.it](http://www.eitowers.it) website in the Governance/Remuneration section.

At the next annual General Meeting scheduled on 21 April 2016, the Board will submit the Remuneration Report to it illustrating, amongst other things, the Policy on the subject of the remuneration of directors and managers with strategic responsibility drawn up by same (also available on the Company's website).

## 10. CONTROL AND RISKS COMMITTEE

In compliance with the provisions of art. 37 of the Market Rules and of the Self-Disciplinary Code, the Control and Risks Committee is composed entirely of independent non-executive directors.

On 22 April 2015, the Board of Directors confirmed the appointment of Directors Michele Pirotta, Chairman, Alberto Giussani and Manlio Cruciatti as members of the Committee, who will remain in office until the expiry of the entire Board of Directors.

The Control and Risks Committee has adopted its own operating rules, which are aligned with the criteria established by the Self-Disciplinary Code and the resolutions of the Board of Directors, according to which the work of the Committee is coordinated by the Chairman.

During the year, the Control and Risks Committee met eight times (the outgoing Committee met three times and the newly appointed Committee five times), with overall attendance by directors standing at **100%**. The attendance details for each director are set out in **Table 2** at the end of this Report. The average length of each meeting was about one hour and twenty-five minutes. Eight meetings have been planned for financial 2016, of which three have taken place as of the date of this Report.

The meetings of the Committee, the minutes of which have been duly recorded, were attended by the Board of Statutory Auditors. The meetings were also attended by the Corporate Affairs Manager, who has been appointed Committee Secretary. At the invitation of the Committee and in relation to individual items on the agenda, meetings were also attended by persons who are not board members and specifically the Internal Audit function manager, the Director in Charge of the Internal Control and Risk Management Committee, the Manager in charge of corporate accounting documents, representatives of the independent auditors, the managers of specific corporate functions of the Company (including the CFO), and external consultants where deemed appropriate, according to their own respective competences.

The members of the Committee receive an attendance fee for each meeting attended. The amount of this fee was determined by the General Shareholders' Meeting of 21 April 2015.

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

During its meeting of 22 April 2015, the Board of Directors assigned the responsibilities established by the Self-Disciplinary Code to the Control and Risks Committee. These duties may be supplemented or modified by resolution of the Board of Directors.

The Committee has been confirmed by the Board of Directors, in application of the Company's Related Party Procedure, as the committee with competence for the EI Towers Group related parties procedure and relative transactions.

In 2015, the Committee performed the following activities, among others, in its sphere of competence:

- it assessed, on a joint basis with the Manager in charge of preparing corporate accounting documents and having heard the independent auditors Deloitte & Touche S.p.A. and the Board of Statutory Auditors, the main accounting standards applied to

- the Company and their consistency for the purposes of drawing up the 2014 consolidated financial statements, holding them to be correctly applied;
- it examined the results presented by independent auditors Deloitte & Touche S.p.A. in the report on fundamental issues to emerge during statutory auditing of the accounts (2014 financial statements) and expressed a favourable opinion to the Board of Directors with regard to the assessment;
  - it took note of the activities performed by the Manager in Charge pursuant to Law 262/2005 for the purposes of issuing the certificates regarding the financial statements and the consolidated financial statements at 31 December 2014 and the half-year report in abbreviated form at 30 June 2015;
  - it expressed its favourable opinion on the proposal of the Director in Charge to assign the engagement to provide professional support services for the Internal Audit function manager in financial 2015 to the company Protiviti S.r.l.;
  - it examined and expressed its favourable opinion to the Board of Directors regarding the 2015 Audit Plan prepared by the Internal Audit function manager and the resources assigned to same;
  - it examined the periodical Reports prepared by the Internal Audit function manager on the assessment of the internal control and risk management system of the Company and took note of the relative conclusions. The Committee also took note of the results of the operating assurance work performed by the Internal Audit function during the financial year and the periodical updates on the state of implementation of the 2015 Audit Plan approved by the Board of Directors, monitoring the adequacy, effectiveness and efficiency of this function;
  - it took note of the annual report of the Director in Charge on the identification, assessment and method of management of the main corporate, strategic and process risks of EI Towers Group, performed according to the Enterprise Risk Management method, and expressed its favourable opinion to the Board of Directors on the results in relation to the nature and level of enterprise risk within the Group;
  - it expressed its favourable opinion to the Board of Directors with regard to the Enterprise Risk Management Policy of the Company for the purposes and in implementation of Internal Control and Management System Guidelines applicable to the risks of EI Towers Group;
  - it expressed its favourable opinion to the Board of Directors regarding the results of the annual review of the strategic objectives of EI Towers Group and the areas of risk/opportunity associated with them;
  - it performed the functions attributed to it as the Committee competent for related party transactions;
  - at the time of the approval of the Financial Statements and the Half-Year Financial Report, it reported to the Board of Directors on the activities performed, as well as on the adequacy of the internal control and risk management system.

In order to provide support for the Board of Directors in approving the periodic financial reports, the Control and Risks Committee also performed preliminary activities during the Financial Year with regard to the main criteria used and the assessments made with reference to such Reports. The relative information was given to the Committee by the CFO and the Manager in charge of corporate accounting documents.

The Control and Risks Committee was charged by the Board of Directors, during its meeting on 28 July 2015, to examine in detail the amendments made to the Self-Disciplinary Code, with particular reference to the internal control and risk management system.

During the early months of 2016 this work continued and, specifically, three meetings were held during which the Control and Risks Committee, amongst other things:

- assessed, on a joint basis with the Manager in Charge and having heard the independent auditors Deloitte & Touche S.p.A. and the Board of Statutory Auditors, the main accounting standards applied in the Company and their consistency for the purposes of preparing the 2015 consolidated financial statements, holding them to be correctly applied;
- took note of the activities performed by the Manager in charge of corporate accounting documents pursuant to Law 262/2005 on the protection of Savings, for the purposes of issuing the certificate relating to the financial statements and the consolidated financial statements at 31 December 2015;
- expressed its favourable opinion on the proposal of the Director in Charge to engage the company Protiviti S.r.l. to provide professional services to support the Internal Audit function manager during financial 2016;
- examined and expressed its favourable opinion to the Board of Directors regarding the 2016 Audit Plan prepared by the Internal Audit function manager and the resources assigned to same;
- examined the periodical report prepared by the Internal Audit function manager regarding the assessment of the internal control and risk management system of EI Towers Group and took note of the relative conclusions;
- took note of the annual report of the Director in Charge on the identification, assessment and management method of the main corporate, strategic and process risks of EI Towers Group, performed on the basis of the Enterprise Risk Management methodology, and expressed its favourable opinion with regard to the proposal of the Board of Directors on the results in relation to the nature and level of enterprise risk within the Group;
- expressed its favourable opinion with regard to the paragraphs in this Corporate Governance Report describing the internal control and risk management system;
- reported to the Board of Directors on the activities performed, as well as on the adequacy of the internal control and risk management system.

During the performance of the activities and on the basis of the reports and information received from the other internal control and risk management bodies, the Committee deemed that the Internal Control and Risk Management System is adequate as a whole and expressed its favourable opinion on the positive assessment of this System by the Board of Directors.

During its meetings, the Committee had access to the information and corporate functions needed to perform the aforementioned duties. The Committee did not draw on the services of external consultants.

Starting in 2016, the Chairman of the Committee, at the first possible meeting of the Board of Directors, reported on the meetings held by the Committee.

During the meeting of 22 April 2015, the Board of Directors assigned the Control and Risks Committee financial resources amounting to two hundred thousand euros annually to perform its functions, also with recourse to external consultants where deemed necessary and/or appropriate.

## 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company Internal Control and Risk Management System (hereafter also the “System”), as defined by the Self-Disciplinary Code, is integrated in the Company’s organisation and governance arrangements.

The Board of Directors performs its functions with regard to the internal control and risk management system taking adequate account of Italian and international reference models and best practices.

On 14 December 2012, after receiving the favourable opinion of the Control and Risks Committee, the Board defined the EI Towers Internal Control and Risk Management System Guidelines (hereafter the “Guidelines”). The Guidelines, which are implemented by the Director in Charge, identify the Enterprise Risk Management model as the reference model for the supervision of the Internal Control and Risk Management System.

According to the Enterprise Risk Management methodology, risk management is organised based on the definition of the company’s strategy.

The main characteristics of the corporate risk management model (ERM Model) of EI Towers are:

- the prioritization of risks (strategic risks and operating, reporting and compliance risks);
- a qualitative and quantitative assessment model of such risks.

Enterprise Risk Management is a continuous process applied across the entire company, involves management at all levels (area managers, process managers and risk managers) and has the goal of managing corporate risks in line with risk appetite, in order to provide sufficient assurances that the objectives set will be achieved.

On 5 November 2014, with the favourable opinion of the Control and Risks Committee, the Board approved the Company’s “Enterprise Risk Management Policy”, which describes the ERM Model implemented by EI Towers and the elements that make up the System, as well as defining the roles, responsibilities and main activities performed in this framework by the actors involved and the relative methods of coordination. The ERM Policy, issued by the Director in Charge, is valid for the Issuer and its subsidiary companies.

During the Financial Year, the Board of Directors:

- with the favourable opinion of the Internal Control and Risks Committee, examined the Annual Report of the Director in Charge on the identification, assessment and management method of the main corporate, strategic and process risks of EI Towers Group, defining the type and level of risk that is compatible with the strategic objectives identified;
- at the proposal of the Director in Charge, with the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors, engaged Protiviti S.r.l., an external company with adequate professionalism, independence and organisation requirements, to provide professional services to support the Internal Audit function manager during the year;

- with the favourable opinion of the Internal Control and Risks Committee, having heard the Board of Statutory Auditors and the Director in Charge, approved the 2015 Audit Plan prepared by the Internal Audit function manager;
- examined the results of the annual review of the strategic objectives of EI Towers Group and the areas of risk/opportunity associated with them, confirming such objectives with the favourable opinion of the Control and Risks Committee;
- in consideration of the results of the activities performed by the persons charged with supervising the Internal Control and Risk Management System and the periodical reports of the Control and Risks Committee, with the favourable opinion of same, has assessed such System as being adequate and effective in general terms. The Board also assessed the adequacy of the organisational, administrative and accounting arrangements of the Company and its subsidiary companies of strategic importance, at present TowerTel S.p.A., also with reference to the Internal Control and Risk Management System. The assessments were supported by special descriptive reports on the various operating and control structures prepared by the delegated bodies.

Finally, on 24 February 2016, the Board of Directors, with the favourable opinion of the Control and Risks Committee, examined the annual report of the Director in Charge on the assessment and management methods of the main corporate, strategic and process risks of EI Towers Group, defining the nature and the risk level compatible with the strategic objectives identified.

***Main characteristics of the existing Internal Control and Risk Management Systems in relation to the financial information process (art. 123-bis, sub-section 2, letter b), TUF***

The risk management and internal control system regarding the financial disclosure process, developed in the framework of the Group, is addressed to guaranteeing the reliability, precision and timeliness of financial disclosures.

The Company, in defining its system, has been guided by indications provided by laws and regulations in force and with reference to international best practices on the subject, in order to guarantee the utmost consistency between the aims of the law and the organisation of the activities introduced to implement same.

Article 154-bis, TUF, has made provision for the introduction, in the framework of the corporate organisation of listed issuers, of the role of Manager in Charge of corporate accounting documents, who has been attributed specific responsibilities regarding corporate financial disclosures. For further details regarding the EI Towers Manager in Charge at and other roles and functions involved in this framework, see section 11.5 of this Report.

The internal control and risk management system, as regards the financial information disclosure process, takes the form of a set of administrative accounting procedures and tools to assess the adequacy and effective operation of same, which contribute to forming an internal control model that is maintained, updated and, if real opportunities for rationalisation and optimisation are identified, further developed.

The model is structured in three main phases:

- a) definition of the analysis framework with the identification and assessment of the risks involved;
- b) identification and documentation of controls;



c) assessment of the adequacy and effective application of administrative and accounting procedures and the relative controls.

**a) Definition of the analysis framework, with the identification and assessment of the risks involved**

For the purposes of determining and planning verification activities regarding the adequacy and effective application of the Group's administrative and accounting procedures, the definition of the analysis framework describes the procedure that must be followed to determine the level of complexity, to identify and assess the risks involved, and to assess the materiality of the various areas of the financial statements. This procedure is addressed to assessing control mechanisms for transactions generated by the corporate processes that feed into accounting data and their transposition into financial reporting.

Significant, representative business processes are identified by means of a quantitative analysis of balance sheet items, applying the concept of materiality to aggregate items in the Group's consolidated financial statements, and a qualitative assessment of the processes based on their level of complexity.

For every process identified as relevant, the "generic" risks that the financial reporting implicit in the process is not reliable are then defined, with reference to the so-called financial statement assertions (existence and occurrence, completeness, rights and obligations, assessment and registration, presentation and disclosure), which represent the control objectives.

The Manager in Charge reviews the definition in the reference framework at least annually and whenever factors arise that may modify the analysis performed in a significant manner.

**b) Identification and documentation of controls**

Control mechanisms are defined through a process of identification of the administrative and accounting procedures and some respond to various control assertions<sup>4</sup>. The controls identified and specifically applied in the performance of the activities are formalised in a special matrix ("Risk and control matrix"), in which their relationship is established with "generic" risks that the financial reporting is not reliable.

The administrative and accounting procedures and relative controls are periodically monitored and updated by means of a process coordinated by the Manager in Charge. With particular reference to the performance of activities involved in the assessment, alignment and documentation of the system, the Manager in Charge collaborates with process owners to promptly identify the events that can influence or modify the reference scheme, the updating of the administrative and accounting procedures, the introduction of the new controls, and the implementation of any improvement plans within the respective processes.

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<sup>4</sup> The reference control assertions are:

- accuracy: the control ensures that all the details of individual transactions have been correctly processed;
- completeness: the control ensures that all the transactions are processed and processed only once;
- validity: the control ensures that the transaction processed has been submitted to suitable levels of authorisation and effectively refers to corporate reality;
- restricted access: the control ensures that access to information and transactions is adequately configured as a function of the roles and responsibility recognised by the company.

### **c) Assessment of the adequacy and effective application of administrative and accounting procedures and the relative controls**

The assessment of the adequacy and effective application of the administrative and accounting procedures, performed by means of specific testing activities, is addressed to guaranteeing both the intention and the operation of the controls identified.

Testing is performed to ensure the effective application of the controls identified with regard to the “testing strategy” defined. Every six months, the Internal Audit function prepares a report describing the activities performed and outcomes of tests.

Based on the results of testing activities, the Manager in Charge defines a plan to remedy any failings that could have a negative impact on the effectiveness of the System.

The Manager in Charge, in collaboration with process owners in the various areas of competence, coordinates the introduction of any improvement plans and ensures that they have been implemented.

The Manager in Charge reports periodically, at the time of the annual and half-year financial statements, or as required, to the Control and Risks Committee and the Board of Statutory Auditors on the assessment of the adequacy and effective application of the administrative accounting controls and procedures, and also on the observance of the remedial plans drawn up.

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

The Board of Directors, on 22 April 2015, in consideration of the sphere of responsibility attributed to same, confirmed the appointment of CEO Corporate and Management Guido Barbieri as the Director in Charge of the Internal Control and Risk Management System (hereafter “Director in Charge”), assigning same the duties established by the Self-Disciplinary Code. The Director in Charge will remain in office until the expiry of the entire Board of Directors.

During the year, the Director in Charge worked on aligning the Internal Control and Risk Management System with operating condition dynamics and the legal and regulatory framework in which the Company operates.

The Director in Charge implemented the Internal Control and Risk Management System Guidelines defined by the Board of Directors on 14 December 2012. The identification and assessment model for corporate processes, risks and relative management methods (ERM Model), enables the Director in Charge, taking account of the characteristics and business activities of EI Towers Group, to manage the identification of the main corporate risks and submit them for discussion to the Board of Directors.

The Director in Charge receives support in the implementation and maintenance of the ERM Model, as well as in all the implementation and operating management activities connected with the annual ERM process, by independent outside consultants with expertise in Risk Management engaged by the Director (PricewaterhouseCoopers Advisory S.p.A.).

During the Financial Year, the Director in Charge reported to the Control and Risks Committee and the Board of Directors, as well as to the Board of Statutory Auditors, with regard to the annual review of the strategic objectives of EI Towers Group, taking account of the reference economic and regulatory setting. The Director in Charge also reported to the Control and Risks Committee and the Board of Directors, as well as to the Board of Statutory Auditors, on the assessment and methods of management of the main corporate strategic and process risks of the Company.

During the work performed by the Director in Charge no significant problem or critical issue was referred to the Control and Risks Committee or the Board of Directors.

## **11.2 INTERNAL AUDIT FUNCTION MANAGER**

The Board of Directors has appointed the Internal Audit function manager, who is assigned the task of verifying that the Internal Control and Risk Management System (hereafter also the “System”) is operational and adequate. Specifically, during the meeting on 22 April 2015, the Board, as proposed by the Director in Charge confirmed the appointment of Ettore Sironi as the Internal Audit manager of the Company. The Internal Audit manager is not responsible for any operating area and reports to the CEO Corporate and Management, who reports to the Board of Directors.

The objectives, powers and responsibilities of the Internal Audit function are defined in the Mandate approved by the Board of Directors.

The Board of Directors, as proposed by the Director in Charge, with the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors, has engaged Protiviti S.r.l., an independent company specialising in the Risk, Compliance and Internal Audit area, to provide professional services to support the Internal Audit function manager during the year. In light of the assessments performed by the Company at the end of the previous three-year period, taking account of the characteristics of the activities performed by EI Towers and its subsidiary companies and the experience gained by Protiviti S.r.l. in the framework of the system and the relative organisation, on 24 February 2016 the Board, at the proposal of the Director in Charge, with the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors, confirmed the assignment of the aforementioned engagement to Protiviti S.r.l. for the current year.

The Internal Audit function is specifically required to verify the effective operation and suitability of the Internal Control and Risk Management System, by means of an Audit Plan, approved annually by the Board of Directors, based on a process of structured analysis and prioritisation of the main risks.

On 25 February 2015, the Board of Directors, in compliance with the provisions of the Self-Disciplinary Code, approved the 2015 Audit Plan and assigned the Internal Audit manager financial resources amounting to one hundred thousand euros to perform his responsibilities, an amount confirmed by the newly appointed Board on 22 April 2015. Finally, the Board, with the favourable opinion of the Control and Risks Committee, having heard the Board of Statutory Auditors and the Director in Charge, approved the 2016 Audit Plan during the meeting on 24 February 2016.

During the Financial Year, the Internal Audit manager, with the support of Protiviti S.r.l., in the framework of planned activities, performed audit work (operating and pursuant to Legislative Decree 231/01) on corporate processes, including the information systems. The relative reports, containing the results of the examinations performed, were presented respectively to the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory and Control Body.

During the performance of his assignment, the Internal Audit manager had access to all the information he needed.

The Internal Audit manager, at the time of the approval of the annual and half-year financial statements, prepared his periodic report, containing an overall assessment of the Internal Control and Risk Management System, and submitted it to the Chairman of the Board of Directors and the other System players indicated in the Self-Disciplinary Code. The Reports were examined by the Control and Risks Committee and subsequently submitted to the Board of Directors. No evidence has emerged from the activities performed and the information gathered by the Internal Audit function such as to encourage the belief that the Internal Control and Risk Management System of EI Towers Group is not suitable to achieve an acceptable overall risk profile.

No specific incentive mechanisms have been established in the current financial year for the Internal Audit function manager.

### **11.3 ORGANISATION MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001**

On 24 July 2014, the Board of Directors approved the current version of the Organisation Model (hereafter the “Organisation Model”) of the Company pursuant to Legislative Decree 231/01 (previously amended by board resolution on 31 October 2012). The most recent update took account primarily of the legislative evolution of Legislative Decree 231/01, with specific reference to the types of crime introduced in the period up to the date of approval of the Model (i.e. environmental offences, employment of the citizens of third party countries who are in Italy illegally and corruption between private individuals). In line with best practices on the subject, a new third section was also introduced into the Organisation Model (which joins the general sections regarding Legislative Decree 231 and the descriptions of the EI Towers Organisation Model), which for each of the various areas at risk indicates the organisational actions taken by the Company in order to neutralise or in any case contain risks in relation to Legislative Decree 231.

At the same time, the Board of Directors also updated the Code of Ethics by reformulating/implementing certain principles, in such a way as to better define, also in operating terms, the conduct in compliance with the company's ethical principles that is expected from the people to whom it applies. The Code of Ethics is a fundamental part of the Organisation Model and an integral part of the overall organisation and control system.

The Organisation Model makes provision for a collegiate Supervisory and Control Body (ODVC). The Company has decided to retain a body with specific competences regarding compliance with Legislative Decree 231/01 and entirely devoted to such activity. On 22 April 2015, the Board of Directors therefore appointed the ODVC, assigning the relative functions to three members, of whom two external, all in possession of the specific subjective requirements necessary (integrity, professionalism, no reasons for incompatibility or conflicts of interest). The

ODVC will remain in office until the end of the mandate of the Board that appointed it, or in other words until the date of the general shareholders' meeting convened to approve the Financial Statements at 31 December 2017. The Board of Directors confirmed the appointment as external members of Furio Ghezzi, Chairman, and Michele Milano, appointing as internal member Riccardo Cecchi, Legal Affairs Office manager; with the expiry of the mandate of the previous Board, Rossella Agostoni ceased to be a member (internal) of the ODVC.

Pursuant to the provisions of the Organisation Model, there were no reasons for any of the members of the ODVC to lapse during the Financial Year.

The ODVC has been granted the broadest possible powers to ensure prompt and efficient supervision of the operation of and compliance with the Organisation Model. The ODVC is supported primarily by the Internal Audit function and performs its own duties, where necessary, with the support of other corporate functions or external consultants. For the specific purposes of performing the supervisory and control activities attributed to it, the Board of Directors annually assigns the ODVC adequate financial resources, which are reviewed from time to time according to any specific needs arising, in order to permit it to perform its functions with full economic and management independence.

During the year, the Supervisory Body met six times (the outgoing ODVC met twice and the newly appointed ODVC four times). At the time of the approval of the Annual and Half-Year Financial Reports, the ODVC reported to the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors pursuant to the provisions of the Company's Organisation Model.

Similar initiatives were taken by subsidiary company TowerTel S.p.A. to implement and update its own Organisation Model pursuant to Legislative Decree 231/01. The Organisation Model of TowerTel S.p.A. was approved by the board of directors of the company on 24 July 2014. The alignment process was performed with reference to the types of crime set out by Legislative Decree 231/01 at the time of the examination (including environmental offences, employment of the citizens of third party countries who are in Italy illegally and corruption between private individuals), taking account of the organisation and nature of the activities performed by TowerTel S.p.A.

During the year, the Internal Audit function performed a preliminary analysis on the potential impact on the "231 crime risk" mapping of the Company and TowerTel S.p.A., of the crime of money laundering (pursuant to art. 648 ter, Italian criminal code), which has been included among the cases provided by Legislative Decree 231/01. During 2016, work to update the "231 crime risk" mapping of both companies is expected to start, in light of the aforementioned crime of money laundering, of the amendments to the existing crimes introduced by Law 69/2015 ("Anti-Corruption Law") and of novelties in the area of environmental crimes, for the purposes of revising their respective Organisation Models.

"Crime risk" mapping pursuant to Legislative Decree 231/01 is also planned for the newly incorporated NETTROTTER S.r.l.

The Code of Ethics is shared and enforced by all the Companies in EI Towers Group.

The Code of Ethics and Organisation Models pursuant to Legislative Decree 231/01 of the Company and its subsidiary TowerTel S.p.A. are available on the website [www.eitowers.it](http://www.eitowers.it) in the Governance section, under Governance System and Control System respectively.

#### **11.4 INDEPENDENT AUDITORS**

The General Meeting of 18 April 2013, in agreement with the reasoned proposal prepared by the Board of Statutory Auditors, conferred the engagement for the statutory auditing of the accounts (auditing of the financial statements and the consolidated financial statements and limited auditing of the half-year report) of the Company for the financial years from 2013 to 2021 on Deloitte & Touche S.p.A. The company engaged to perform the statutory auditing of the accounts of EI Towers has been given the same assignment (pursuant to the law or on a voluntary basis) by all Group companies.

#### **11.5 MANAGER IN CHARGE OF PREPARING CORPORATE ACCOUNTING DOCUMENTS**

The Board of Directors, on 22 April 2015, after verifying the requirements of professionalism and integrity established by the law and the Bylaws (art. 20) and after receiving the favourable opinion of the Board of Statutory Auditors, confirmed the appointment as Manager in Charge of the preparation of corporate accounting documents (hereafter “Manager in Charge”) of the Company, the EI Towers Group CFO Fabio Caccia, resolving to pay same a gross annual fixed fee consistent with the duties assigned to him. On appointment, all the duties provided by current legislation and the Self-Disciplinary Code were assigned to same. Within the budget limits approved by the Board, financial resources are assigned to same annually, amounting in the Financial Year in question to one hundred and fifty thousand euros, for the full performance of the aforementioned duties.

The Manager in Charge reports periodically, at the time of the approval of the annual and half-year financial report, or as required, to the Control and Risks Committee and the Board of Statutory Auditors on the activities undertaken to monitor, control and implement the EI Towers Compliance Model pursuant to Law 262/05.

The Manager in Charge is assisted by the competent corporate administrative functions (Administration and Consolidated Financial Statements in particular) and may draw on the support of external consultants within the limits of the financial resources assigned to same.

The Internal Audit function performs activities to verify the adequacy and effective application of the administrative and accounting procedures.

#### **11.6 COORDINATION AMONG PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Company’s Internal Control and Risk Management System involves, with various roles and within the scope of their respective competences, the following parties:

- the Board of Directors;
- the Director in Charge;
- the Control and Risks Committee;
- the Internal Audit Function Manager;
- the Board of Statutory Auditors, also in its capacity as internal control and statutory audit committee;



- other enterprise roles and functions with specific duties as regards internal control and risk management.

On 5 November 2014, the Board of Directors, with the favourable opinion of the Control and Risks Committee, approved the Company's Enterprise Risk Management Policy, which defines and describes the EI Towers ERM Model (see paragraph 11 in this Report) and the elements that comprise the System, as well as defining the roles, responsibilities and main activities performed in this framework by the actors involved and the relative methods of coordination. Such coordination, with the support of the Corporate Affairs Office, takes place specifically by means of information flows/exchanges of information between such parties, in observance of the provisions of the law, of the Self-Disciplinary Code and the practices, procedures and models adopted.

## 12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The Board of Directors, on 31 October 2012, in consideration of the changes in the ownership and governance structure of the Company after the merger between EI Towers S.p.A. and DMT S.p.A., introduced the EI Towers Group Related Parties Procedure.

Pursuant to article 4, sub-section 3, Related Party Regulations, the Control and Risks Committee, consisting entirely of independent directors with the necessary competences, issued a favourable opinion on the Related Parties Procedure on 26 October 2012.

The Related Parties Procedure, which is available for consultation on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Related Parties section, establishes the rules for the identification, approval, performance and disclosure of related party transactions performed by the Company, directly or through subsidiary companies, in order to ensure the transparency and the material and procedural correctness of the transactions, also in cases of the exclusion of the application of these rules. Specifically, the Related Parties Procedure has identified transactions of greater and lesser importance, establishing the rules for the performance of same and identifying the transactions to which the aforementioned rules are not applied. Excluded transactions include, in particular, low value transactions (total no greater than Euro 150,000.00), operations with or between subsidiary and associated companies, and ordinary operations.

The General Meeting of 18 April 2013, as proposed by the Board of Directors, approved, among other things, the amendments to the bylaws resulting from the decisions made by the Company with regard to urgent related party transactions and transactions of greater importance with related parties in the presence of a negative opinion from or with observations by the independent directors, introducing article 17 "Related Party Transactions" into the company bylaws. The Bylaws are published on the [www.eitowers.it](http://www.eitowers.it) website in the Governance/Governance System section.

During 2013, the Company, also taking account of the Consob recommendation contained in Communication no. DEM/10078683, 24 September 2010, conducted the appropriate detailed studies and assessments of the Related Parties Procedure. The Control and Risks Committee, on 13 December 2013, deemed the Related Parties Procedure to be effective and fit for the purpose of complying with regulations on the subject. The Board of Directors, in its meeting of 16 December 2013, also having taken note of the opinion expressed by the Control and Risks Committee, decided to leave the Procedure unchanged.

On 22 April 2015, the Board of Directors confirmed that the Control and Risks Committee (see paragraph 10 in this Report) is the competent committee with regard to the related party procedure and transactions.

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As regards any directors' interests, without prejudice to the application of the provisions of the Related Party Procedure and compliance with art. 2391, Italian civil code, the Board of Directors has established that the Directors involved must give full notice to the other Directors and the Board of Statutory Auditors about every interest, even potential, which they have in a certain Company transaction, on their own behalf or on behalf of third parties, independently of a situation of conflict, specifying the nature, terms, origin and extent of same; if the person involved is a CEO, they must also refrain from performing the operation.

### 13. APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of statutory auditors are regulated by article 18 of the Bylaws.

Specifically, the control of the Company is vested in a Board of Statutory Auditors made up of three standing auditors and three alternate auditors. The Statutory Auditors remain in office for three financial years and may be re-elected.

The statutory auditors are appointed by the General Meeting on the basis of lists. In order to ensure the appointment of a standing and an alternate statutory auditor presented by the minority, lists are presented comprising two sections: one for the appointment of the standing auditors and the other for the appointment of the alternate auditors. The lists must contain a minimum number of candidates equal to the number of candidates to elect, listed by means of a progressive number. The lists, in the section regarding standing statutory auditors and alternate statutory auditors, must include candidates of different genders in the first two places.

Shareholders have a right to present a list if they represent, alone or together with other shareholders, at least **2.5%** of the shares with voting rights at the ordinary shareholders' meetings or who represent a lower percentage that may be established by mandatory provisions of laws or regulations. This latter percentage will be communicated from time to time in the notice of convocation of the general meeting called to resolve on the appointment of the Statutory Auditors. At the General Meeting to appoint the Board of Statutory Auditors of the Company on 24 April 2014, the percentage equity stake determined by Consob (resolution no. 18775/2014) pursuant to art.144-quater of the Issuer Regulations, was equal to the percentage established by the Company Bylaws (**2.5%**)<sup>5</sup>.

The statutory auditors are elected as follows:

The first two candidates, elected in progressive order, of the list that obtains the most votes and the first candidate in progressive order of the list with the second largest number of votes are elected as standing auditors. The first two candidates in progressive order of the list of alternate auditors that obtains the most votes and the first candidate of the list of alternate auditors with the second largest number of votes are elected as alternate auditors.

In the event that two or more lists receive the same number of votes, such lists will be voted on again in a second ballot in compliance with the law as it stands at the time, also with regard to gender balance, and the candidates on the list that obtains the simple majority of votes will be elected. In the event two or more lists are presented, the first candidate in progressive order of the list that obtains the most votes after the first is chairman.

If only one list has been presented, the general meeting votes on it by relative majority.

In the event of death, waiver, expiry or in any case ceasing of the office of standing auditor, the alternate auditor elected in first place on the list takes over, as long as such replacement ensures gender balance. If it does not, the alternate auditor elected in second place on the same list takes over. If only one list has been presented, in the event of the replacement of the chairman, the Board of Statutory Auditors chooses and appoints among its members the new chairman who remains in office until the first general meeting, which must appoint a new member to the Board of Statutory Auditors.

If there are no lists, the Board of Statutory Auditors and its chairman are appointed by resolution of the general meeting with the legal majority and in accordance with the law on the subject of gender balance.

The general meeting, which shall make provision for the appointment of the statutory auditors necessary to complete the board pursuant to article 2401, Italian civil code, shall choose, with the legal majorities, among the names on the list to which the statutory auditor who left office

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<sup>5</sup> The equity stake for the current year, determined by Consob with resolution no. 19499, 28 January 2016, is 1%.

belonged; if no names are available, the general meeting makes provision for the replacement with the legal majorities. All in accordance with the law on gender balance.

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (art. 123-bis, sub-section 2, letter d), TUF)**

The current Board of Statutory Auditors of the Company, comprising three standing members and two alternate members, was elected by resolution of the General Meeting of 24 April 2014 and will remain in office until the general meeting called to approve the financial statements at 31 December 2016.

You are advised that the provisions of the bylaws introduced by resolution of the General Meeting on 18 April 2013 to ensure compliance with current legislation on gender balance were applied for the first time to the reappointment of the Board of Statutory Auditors resolved by the General Meeting on 24 April 2014.

At the time of the aforementioned General Meeting, two lists were presented: **List no. 1** presented by majority shareholder Elettronica Industriale S.p.A., the holder at that time of an equity stake representing **65.001%**<sup>6</sup> of the share capital, and **List no. 2**, presented by shareholders Amber Capital UK LLP (as manager of the fund Amber Southern European Equity Limited) and Amber Capital Italia SGR S.p.A. (as manager of the fund Alpha UCITS Sicav/Amber Equity Fund), representing a total equity stake of **2.0489%** of the share capital of the Company.

Below are the candidates in each list presented and the relative percentage of the votes obtained as a proportion of the voting capital (20,202,217 shares representing **71.48%** of the share capital):

- **List no. 1** – candidates for the position of Standing Auditor: Francesco Vittadini, Anna Girello, Marco Armarolli; candidates for the position of Alternate Auditor: Francesco Antonio Giampaolo, Flavia Daunia Minutillo, Giancarlo Povoleri.  
**Statutory Auditors Elected:** Francesco Vittadini and Anna Girello as Standing Auditors; Francesco Antonio Giampaolo and Flavia Daunia Minutillo as Alternate Auditors.  
List no. 1 obtained no. 11,489,414 votes equal to **56.872%** of the voting capital;
- **List no. 2** – candidates for the position of Standing Auditor: Antonio Aristide Mastrangelo, Giuliana Santamaria, Marco Salvatore; candidates for the position of Alternate Auditor: Federica Perli, Attilio Spinelli, Paolo Campisi.  
**Statutory Auditors Elected:** Antonio Aristide Mastrangelo as Standing Auditor; Federica Perli as Alternate Auditor.  
List no. 2 obtained no. 8,087,881 votes equal to **40.035%** of the voting capital.

Standing Auditor Antonio Aristide Mastrangelo, entered in first place on minority List no. 2, was appointed Chairman of the Board of Statutory Auditors.

The composition of the Board of Statutory Auditors is set out in **Table 3** at the end of this report.

There were no changes as of the date of the end of the Financial Year.

Information regarding the personal and professional characteristics of the members of the Board of Statutory Auditors of the Company is provided below.

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<sup>6</sup> As of 4 April 2014, the majority shareholder Elettronica Industriale S.p.A. holds 40.001% of the share capital of the Company.

**Antonio Aristide Mastrangelo:** born in San Severo (FG) on 17 April 1943, in 1969 he graduated from Luigi Bocconi University, Milan, with a degree in Economic and Commercial Sciences. He is entered in the register of Independent Statutory Auditors and, since 1973, has been a member of the Milan Association of Professional Accountants. He is Vice Chairman of the “Control in Companies and Entities” commission in the Milan Association of Professional Accountants, a former member of advisory commissions in the National Association of Professional Accountants in Rome, and a contract lecturer at Modena and Reggio Emilia University and Sacro Cuore University in Piacenza. He is the owner of Studio Mastrangelo Dottori Commercialisti in Milan and provides consulting services to industrial and asset management companies on issues relating to company, regulatory, tax and management legislation. He is a board director or statutory auditor of various industrial and financial corporations, including Save S.p.A., Giovanni Bozzetto S.p.A., Lupo S.p.A. and Sorgent.e Holding S.p.A.. At the present time he is Chairman of the Board of Statutory Auditors of the Company.

**Anna Girello:** born in Turin on 13 March 1971, in 1994 she graduated from Università Cattolica del Sacro Cuore, Milan, with a degree in Economics. She is entered in the register of Independent Statutory Auditors, in the association of professional accountants and in the list of consultants to the Court of Alba. She is a former arbitrator at the Piedmont Court of Arbitration. During her career she has led various courses as a teacher at ISP Italia S.r.l., is managing partner of Studio Girello s.s. Dottori Commercialisti in Alba and is a statutory auditor and board director in various companies including Banca Monte dei Paschi di Siena S.p.A., Toscana Aeroporti S.p.A., Delsanto S.p.A., Oikos 2006 S.r.l., Ondalba S.p.A. and Sedamyl S.p.A. At the present time she is a Standing Auditor of the Company.

**Francesco Vittadini:** born in Bellano (LC) on 25 May 1943, in 1967 he graduated from Luigi Bocconi University, Milan, with a degree in Economics. He has been appointed as Independent Statutory Auditor, is entered in the register of Independent Statutory Auditors and, since 1971, in the Monza and Brianza Association of Professional Accountants. He is a practicing accountant and consultant to companies and private individuals, with offices in Monza. He is a former Chairman of the Board of Directors of AGAM S.p.A. and audited the accounts of Lecco and Monza Hospitals for nine years. He is a Statutory Auditor of various industrial, financial, insurance, communication and media companies including Fininvest S.p.A., A.C. Milan S.p.A. and the subsidiary companies in their respective groups. At the present time he is a Standing Auditor of the Company.

**Francesco Antonio Giampaolo:** born in Orta Nova (FG) on 15 February 1943, in 1969 he graduated from Università Cattolica del Sacro Cuore, Milan, with a degree in Economics. He is entered in the register of Independent Statutory Auditors and, since 1975, the Milan association of professional accountants; Technical Consultant to the Court of Milan, he has many years’ experience in legal, economic, financial and technical/scientific areas, he is a practicing accountant, serving mainly corporate clients. He is Chairman or a member of the Board of Statutory Auditors of mid-large sized companies operating in the industrial, financial, insurance and credit sectors, including Allegri Cesare S.p.A., Fininvest S.p.A., Isim S.p.A., A.C. Milan S.p.A., Medusa Film S.p.A., Fascino S.r.l. and Mediolanum Comunicazione S.p.A. At the present time he is an Alternate Auditor of the Company.



**Flavia Daunia Minutillo:** born in Milan on 24 May 1971, in 1995 she graduated from Università Cattolica del Sacro Cuore, Milan. She is entered in the register of Independent Statutory Auditors and in the Monza association of professional accountants since 22 January 1996 and the Milan association since 19 October 2005; in November 2012 she became a qualified Professional Mediator. Since 1995, she has been a practicing professional both as a freelance and in association with other professionals; in 2007, she was a founding partner of Studio Simonelli Associati. Since 1998, she has been engaged as Statutory Auditor and Chairman of the Board of Statutory Auditors of various banks, listed companies, securitization companies, fiduciary companies, financial companies, factoring companies and services companies. She is also a member of various Supervisory Bodies (Axitea S.p.A., Milanospoort S.p.A., FSI Investimenti S.p.A. and Banca Generali S.p.A.). At the present time he is an Alternate Auditor of the Company.

**Federica Perli:** born in Carpi (MO) on 8 May 1971, in 1997 she graduated from Modena and Reggio Emilia University with a degree in Economics. She is entered in the register of Independent Statutory Auditors and, since 5 February 2002, in the Milan association of professional accountants; starting in 1998, she worked with various professional firms and, since 2012, has been with BC & Studio Professionale di Consulenza Societaria Tributaria e Legale. She is a practicing professional, providing consulting services to corporations in Italian and international groups and to financial companies in Italian banking groups. She is a former member of the Board of Statutory Auditors of various Italian companies, including Symantec S.r.l. and Steelcase S.r.l., and at the present time is a statutory auditor in various corporations. At the present time she is an Alternate Auditor of the Company.

For more information about the personal and professional characteristics of the members of the Board of Statutory Auditors of the Company, please consult the information available on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Corporate Bodies/Board of Statutory Auditors section.

During the Financial Year, the Board of Statutory Auditors met a total of 13 times with overall attendance standing at **97.43%**. The attendance details for each Statutory Auditor are set out in **Table 3** referring to the structure of the Board of Statutory Auditors reported at the end of this Report. The average length of each meeting was about two hours and thirty minutes.

About ten meetings have been planned for financial 2016, of which four have taken place as of the date of this Report.

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As disclosed to the market, at the time of their appointment by the general meeting on 24 April 2014, all the Statutory Auditors declared they satisfied the requirements provided by the law and the bylaws to hold office.

On 21 April 2015, in compliance with the provisions of the law, applicable regulations and the Self-Disciplinary Code, the Board of Statutory Auditors verified the independence of its members and confirmed the independence requirements of each Statutory Auditor. Specifically, the members of the Board declared and verified:

- that they satisfy the independence requirements provided by article 148, paragraph 3, Consolidated Financial Act;
- that they satisfy the independence requirements provided by the Self-Disciplinary Code introduced by the Company;

- that they have no links with the companies that control the Issuer, even indirectly, or with those subject to joint control by same, or with the directors of the aforementioned companies, through relationships of freelance or subordinate work, or through other equity or professional relationships such as to compromise their independence.

The Board of Directors was informed of the outcome of this verification on 22 April 2015.

On the same date, the Board of Statutory Auditors also performed its verification activities on the correct application of the verification criteria and procedures adopted by the Board to assess the independence of its members, being in agreement with the evaluations expressed by same.

The Board of Statutory Auditors also monitored the independence of the audit firm.

During the year, the statutory auditors attended meetings with the company's management in order to learn more about the business sector in which it operates, the relative organisational structure and the legal framework (for further details see the *Induction Programme* described in paragraph 4.2 of this Report).

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As envisaged by the Self-Disciplinary Code, Statutory Auditors who, on their own behalf or on behalf of third parties, have an interest in a certain Company transaction promptly and fully inform the other Statutory Auditors and the Chairman of the Board of Directors of the nature, term, origin and scope of their interest.

The Board of Statutory Auditors participates in the work of the Control and Risks Committee, receiving and exchanging information also with other actors in the Internal Control and Risk Management System (such as, for example, the Director in Charge, the Internal Audit function, the ODVC, the Manager in Charge)<sup>7</sup>. In the framework of its supervisory activities, during the year it plans meetings with the managers of corporate functions that oversee company areas or processes, receiving information regarding their management. The Board of Statutory Auditors, if necessary, on internal control issues of common interest, liaises with the Control and Risks Committee to plan such meetings to coincide with Committee meetings.

In performing its activities, the Board of Statutory Auditors also attended the meetings of the Remuneration Committee.

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<sup>7</sup> For further details see the preceding paragraphs in this Report regarding the Internal Control and Risk Management System and the actors involved.

## 15. RELATIONS WITH SHAREHOLDERS

The Company's website, [www.eitowers.it](http://www.eitowers.it), contains both economic and financial information (Financial reports, presentations to the financial community, the market trend of financial instruments issued by the Company), mainly in the "Investors" section, as well as information and documents of interest to all shareholders (press releases, composition of corporate bodies, Company Bylaws, General Meeting Regulations and documentation, documents and information regarding corporate governance and the Organisation Model pursuant to Legislative Decree no. 231/2001) in the "Governance" section.

On 22 April 2015, the Board of Directors confirmed the assignment of responsibility for managing shareholder relations to the CEO Corporate and Management, Guido Barbieri. The Board also confirmed the corporate structures in charge of this function:

- the Corporate Affairs Office, which supervises relations with retail investors and institutional entities;
- the Investor Relations function, which supervises relations with the financial community.

The contact details and telephone numbers of the Corporate Affairs Office and Investor Relations are available on the Company's website.

No later than the end of January, the Company publishes its financial calendar for the fiscal year on its website, for consultation by the market and the public.

## **16. GENERAL MEETINGS (art. 123-bis, sub-section 2, letter c), TUF)**

The General Shareholders' Meeting is the corporate event at which a profitable dialogue is entered into by the Company's shareholders and Board of Directors.

Also pursuant to articles 8 and following of the Bylaws, shareholders' meetings represent the universality of the shareholders and their resolutions, passed in conformity with the law and the Bylaws, are binding for all shareholders, even those not voting or those opposed.

General Meetings are called by the administrative body, either at the company's head office or in another location in the European Union, whenever appropriate and in the cases provided by the law. Both the ordinary and extraordinary shareholders' meetings are convened through notice to be published within terms of the law on the Company's Internet site, as well as with the other means provided by applicable laws and regulations.

The Company provides the public with documentation regarding the items of business on the agenda of the general meeting by lodging same, within the legal term, at the company's head office, on the website [www.eitowers.it](http://www.eitowers.it), on the Borsa Italiana website and on the authorised storage mechanism.

Every shareholder to whom the rights of voting and participating in the shareholders' meeting accrue may elect to be represented by another person, including a person who is not a shareholder, according to the means provided in the notice of meeting, also by e-mail message sent to the address indicated in the notice of meeting before the start of work at the general meeting.

The shareholders' meetings are chaired by the chairman of the board of directors, or, should the chairman be absent or unable to attend, by the vice chairman, if appointed, or, should the vice chairman be absent or unable to attend, by another person elected by the shareholders' meeting by the majority vote of those present, according to the number of votes accruing to each shareholder present.

The validity of the constitution of the shareholders' meetings and of their resolutions is governed by the law. In the event of a sole session, the majorities referenced in Article 2369, Paragraph 1, second period of the Italian civil code are applied.

The application of the exemption, as provided by prevailing laws and regulations, from the obligation to launch a public purchase offer and/or public exchange offer consequent to merger or demerger transactions shall be precluded only if the majority of the shareholders opposing the related shareholder resolution – as determined on the basis of the provisions of applicable law – represents at least 7.5% of the share capital with voting rights.

The Company's Bylaws make no provision for shares with special voting rights.

The General Meeting has all the powers established by the law. The attribution to the administrative body of competence to make resolutions on matters which are reserved by the law for the decision of the Extraordinary General Meeting (see paragraph 4.3 above in this Report), does not negate the competence of the General Meeting, which retains the power to decide on such matters.

In consideration of the composition of the shareholder base, and taking account of past experience of general meetings, it has not been deemed necessary to make provision for voting instruments such as online voting or voting by correspondence. Methods of voting are used at General Meetings with the goal of making it easier for shareholders to exercise their rights and to guarantee the immediacy of the results of voting.

The Board of Directors prepares its reports illustrating the items of business on the agenda and makes them publicly available at general meetings.

During the annual General Meeting to approve the Financial Statements, the Board of Directors reports on the activities performed and planned, both through the Annual Reports, which are filed and made publicly available before the general meeting under the terms and in the manner provided by the law, and by answering the questions posed by shareholders. The Chairman, a member of the Remuneration Committee, reported to the General Meeting on how the functions of the Committee are performed.

The General Meetings on 27 March and 21 April 2015 was attended by six out of seven Directors and all the Standing Auditors.

The General Meetings of the Company are governed by Regulations addressed to ensuring that general meetings are conducted in an orderly and functional manner, in full respect of the fundamental rights accruing to all those eligible to participate in general meetings of being able to ask for clarifications on the various issues discussed, of expressing their own opinion, and of making proposals. Specifically, discussions at general meetings are subject to the provisions of article 8 of the Regulations. The Chairman of the general meeting is responsible for moderating activities, in order to ensure that discussions are conducted fairly and that voting rights are respected. Without prejudice to the law and the indications provided in the notice of meeting with regard to the right of all shareholders with voting rights to put questions to the general meeting, requests to speak on individual items on the agenda may be presented to the office of the chairman from the time the general meeting is convened until the Chairman of the General Meeting declares the discussion of each item on the agenda closed. The Regulations applicable to general meetings, last amended by the General Meeting on 18 April 2013, are published on the [www.eitowers.it](http://www.eitowers.it) website in the Governance/General Shareholders' Meeting section

## **17. CHANGES SINCE THE CLOSURE OF THE REFERENCE FINANCIAL YEAR**

There have been no changes in the Company's corporate governance structure.

Lissone, 17 March 2016

**The Chairman of the Board of Directors**  
*(Alberto Giussani)*



## TABLES

### TABLE 1 - INFORMATION ON OWNERSHIP STRUCTURE

<b>STRUCTURE OF SHARE CAPITAL</b>				
	<b>No. of shares</b>	<b>% of share capital</b>	<b>Listed / non-listed</b>	<b>Rights and obligations</b>
<b>Ordinary shares</b>	<b>28,262,377*</b> <b>(par value 0.10 each)</b>	<b>100%</b>	<b>Borsa Italiana, Online Stock Market, STAR segment</b>	<b>Pursuant to the law and the bylaws</b>

\* The Company holds no. 62,526 treasury shares, equal to 0.22% of the share capital, of which no. 6,000 shares on loan to Mediobanca S.p.A. to perform the Specialist activities pursuant to article 2.2.3., sub-section 4, Regulations for Markets Organised and Managed by Borsa Italiana and the relative Instructions to the Regulations. Voting rights are suspended for these shares pursuant to art. 2357 ter, Italian civil code.

<b>SIGNIFICANT EQUITY STAKES</b>			
<b>Declarer</b>	<b>Direct shareholder</b>	<b>% of ordinary equity</b>	<b>% of voting equity</b>
<b>Silvio Berlusconi</b>	<b>Elettronica Industriale SpA</b>	<b>40.001%</b>	<b>40.001%</b>
<b>BlackRock INC.</b>	<b>BlackRock Institutional Trust Company, National Association</b>	0.484%	0.484%
	<b>BlackRock Investment Management (Australia) Limited</b>	0.085%	0.085%
	<b>BlackRock Investment Management LLC</b>	2.978%	2.978%
	<b>BlackRock Asset Management Canada Limited</b>	0.041%	0.041%
	<b>BlackRock Fund Advisors</b>	0.199%	0.199%
	<b>BlackRock Advisors LLC</b>	5.774%	5.774%
	<b>BlackRock Investment Management (UK) Limited</b>	0.422%	0.422%
	<b>BlackRock Advisors (UK) Limited</b>	0.111%	0.006%
	Totale	<b>10.093%</b>	<b>10.086%</b>
<b>Octavian Advisors LP</b> Owner of shares: - Octavian Special Master Fund LP (equity stake of 3.543%)	<b>Octavian Advisors LP</b>	<b>4.136%</b>	<b>4.136%</b>
<b>Threadneedle Asset Management Limited</b>	<b>Threadneedle Asset Management Holdings Limited</b>	<b>9.124%</b>	<b>9.124%</b>

**TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES**

Board of Directors													Control and Risks Committee		Remuneration committee		Appointments Committee		Executive Committee	
Office	Members	Date of birth	Date of first appointment	In office from	In office until	List **	Exec.	Non exec.	Indep. Code	Indep. TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)	N/A	N/A	N/A	N/A
Chairman	GIUSSANI ALBERTO	1946	30.12.2011*	21.04.2015	AGM 2017 financial statements	M		X	X	X	5	13/13	8/8	M	5/5	P				
CEO ◊	BARBIERI GUIDO	1966	30.12.2011*	21.04.2015	AGM 2017 financial statements	M	X					13/13								
CEO ◊	GOTTARDI VALTER	1955	30.12.2011*	21.04.2015	AGM 2017 financial statements	M	X					13/13								
Director	CASALI PAOLA	1967	21.04.2015	21.04.2015	AGM 2017 financial statements	M		X	X	X		7/7			4/4					
Director	CRUCIATTI MANLIO	1949	29.02.2012	21.04.2015	AGM 2017 financial statements	M		X	X	X		13/13	8/8	M	1/1	M				
Director	INVERNIZZI PIERCARLO	1965	29.02.2012	21.04.2015	AGM 2017 financial statements	M	X					13/13								
Director	LO VERSO ROSA MARIA	1965	21.04.2015	21.04.2015	AGM 2017 financial statements	M		X	X	X		7/7								
Director	PIROTTA MICHELE	1964	29.02.2012	21.04.2015	AGM 2017 financial statements	M		X	X	X		13/13	8/8	P						
Director	SIRONI FRANCESCO	1969	21.04.2015	21.04.2015	AGM 2017 financial statements	m		X	X	X	3	7/7			4/4	M				
<b>-----DIRECTORS CEASING TO HOLD OFFICE DURING THE FINANCIAL YEAR-----</b>																				
Director	HUROWITZ RICHARD	1974	29.02.2012	29.2.2012	21.04.2015	m		X	X	X	1	6/6			1/1	M				
<b>No. of meetings held during the financial year: 13</b>				<b>Control and Risks Committee: 8</b>				<b>Remuneration Committee: 5</b>				<b>Appointments Committee:</b>				<b>Executive Committee:</b>				
<b>Quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to art. 147-ter TUF): 2.5% (***)</b>																				

**NOTES**

• Director in Charge of the Internal Control and Risk Management System.

◊ CEO Corporate and Management.

◊ CEO Business.

\* First appointed by the BoD (ex DMT S.p.A.) by co-optation on 30.12.2011.

\*\* This column indicates the list from which each director was taken ("M": majority list; "m": minority list; "BoD": list presented by BoD).

\*\*\* This column indicates the number of offices of director or statutory auditor held by the subject in question in other listed companies in regulated markets, including foreign markets, in financial, banking or insurance companies or in companies of a significant size. For a list of such companies see paragraph 4.2 of this Report.

(\*). This column indicates the attendance of directors at the meetings of the BoD and Committees (number of meetings attended by the director out of the total number of meetings held during the financial year).

(\*\*). This column indicates the qualification of the director in the Committee: "P": Chairman; "M": member.

(\*\*\*) Equity stake determined by Consob (resolution n. 19109/2015), pursuant to art. 144-quarter of the Issuer Regulations, at the General Meeting to appoint the Board of Directors of the Company on 21 April 2015

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

Board of Statutory Auditors									
Office	Members	Date of birth	Date of first appointment	In office from	In office until	Lists ***	Indep. Code	Attendance of Board of Statutory Auditors' meetings ****	No. of other offices ****
Chairman	MASTRANGELO ANTONIO ARISTIDE	1943	24.04.2014	24.04.2014	AGM 2016 financial statements	m	X	13 /13	17
Standing Auditor	VITTADINI FRANCESCO	1943	29/04/2005*	24.04.2014	AGM 2016 financial statements	M	X	13 / 13	23
Standing Auditor	GIRELLO ANNA	1971	29.04.2008	24.04.2014	AGM 2016 financial statements	M	X	12 / 13	14
Alternate Auditor	GIAMPAOLO FRANCESCO ANTONIO	1943	24.04.2014	24.04.2014	AGM 2016 financial statements	M	X	-	25
Alternate Auditor	MINUTILLO FLAVIA DAUNIA	1971	24.04.2014	24.04.2014	AGM 2016 financial statements	M	X	-	12
Alternate Auditor	PERLI FEDERICA	1971	24.04.2014	24.04.2014	AGM 2016 financial statements	m	X	-	2
<b>-----STATUTORY AUDITORS CEASING TO HOLD OFFICE DURING THE FINANCIAL YEAR-----</b>									
	Surname and Name								
<b>Number of meetings held during the financial year: 13</b>									
<b>Quorum required to present lists by minorities for the election of one or more members (pursuant to art. 148 TUF): 2.5% (*)</b>									

**NOTES**

\* Date of the General Meeting at which the Board of Statutory Auditors of the Company was appointed (ex DMT S.p.A.) after the listing of the issuer's shares on the Online Stock Market (MTA) of Borsa Italiana. At such date Francesco Vittadini was already a Statutory Auditor of DMT S.p.A.

\*\* Date of taking over the office of Standing Auditor of the Company (ex DMT S.p.A.). Most recently appointed by the General Shareholders' Meeting of the Company on 6 May 2011. The Statutory Auditor remained in office until the natural expiry.

\*\*\* This column indicates the list from which each statutory auditor was taken ("M": majority list; "m": minority list).

\*\*\*\* This column indicates the attendance of statutory auditors at the meetings of the board of statutory auditors (number of meetings attended by the Statutory Auditor out of the total number of meetings held during the financial year).

\*\*\*\*\* This column indicates the number of offices of director or statutory auditor held by the subject in question pursuant to art. 148-bis TUF.

(\*). At the General Meeting to appoint the Board of Statutory Auditors of the Company on 24 April 2014, the equity stake of 2.5% determined by Consob (resolution no. 18775/2014), pursuant to art.144-quater of the Issuer Regulations, was the same as the equity stake provided by the Bylaws.