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Report on corporate governance and ownership structure of Italiaonline S.p.A.

pursuant to article 123-*bis* of the TUF

(traditional administration and control model)

Website: www.italiaonline.it
Relevant financial year: 2016
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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies as approved most recently in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Italian Civil Code: the Italian Civil Code.
Board: the Board of Directors of the Issuer.
Issuer or the Company or IOL: the entity issuing the securities to which the Report refers. Please note that contextually with the effectiveness of the Merger (as better defined below) the Issuer changed its company name from Seat Pagine Gialle S.p.A. to Italiaonline S.p.A..
Financial Year: the company's accounting period to which the Report refers (2016).
Seat IOL Merger or Merger: the reverse merger by incorporation of Italiaonline into Seat Pagine Gialle S.p.A., which became effective on 20 June 2016.
Takeover Bid: the takeover bid promoted by the Incorporated Company (as defined below), in agreement with, Libero Acquisition S.à r.l., GL Europe Luxembourg S.à r.l., GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners LP, GT NM LP and San Bernardino County Employees' Retirement Association.
Consob Issuers' Regulations: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) in the matter of issuers.
Consob Related-Party Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) in the matter of related-party transactions.
Report: the report on corporate governance and ownership structures that the companies are required to prepare pursuant to article 123-*bis* of the TUF.
Incorporated Company: the company Italiaonline S.p.A. incorporated by the Issuer in the context of the Seat IOL Merger.
Financial Services Act / TUF: Legislative Decree no. 58 of 24 February 1998 (*Testo Unico of the Finanza*, Consolidation Act on Finance).

1. Company profile - Introduction

Italiaonline offers web marketing and digital advertising services, including the management of advertising campaigns and the generation of leads through social networks and search engines and is the leading operator in the Italian market of directories on paper, on line and on telephone. The company targets small and medium enterprises, which constitute the bone structure of the Italian economic fabric, as well as big companies.

Having said that, for an exhaustive analysis of the business, the Group's overall structure, the market scenario and social responsibility, reference should necessarily be made to the Company's Financial Statements for the year ended 31 December 2016 and to the information available on the Company's website at the address http://www.italiaonline.it/en/investor/.

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For purposes of a better understanding we set out the below as regards the possible integration process between the Issuer and the Incorporated Company started in the course of 2015 (the "**Integration Process**").
The purpose of the Integration Process was to create the leading operator in the Italian market of digital advertising for big accounts and local marketing services for small and medium enterprises, which, as mentioned, constitute the bone structure of the Italian economic fabric.

For the above stated reasons, please find below the main stages in which the Integration Process was structured:

i. on 21 May 2015, the Incorporated Company, Libero Acquisition S.à r.l. ("**Libero**"), as controlling shareholder of the Incorporated Company, GL Europe Luxembourg S.à r.l. ("**Avenue**") and the Funds GoldenTree (namely together GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners L.P., GT NM L.P. and The San Bernardino County Employees Retirement Association), as reference shareholders of the Issuer, entered into an investment agreement on the integration between the Incorporated Company and the Company, with the purpose of creating the leading operator in the Italian market of digital advertising;

ii. in performing this investment agreement, on 9 September 2015, Avenue and the GoldenTree Funds contributed to the Incorporated Company the Issuer shares held by them through managed funds, equal to approximately 53.87% of the Company ordinary shares (the "**Contributed Shares**") at a value per share equal to Euro 0.0039 (the "**Contribution**"). Against the Contribution, the Incorporated Company increased its share capital by a value of approximately Euro 135,017,864, issuing and awarding to Avenue and the GoldenTree Funds a number of shares corresponding, respectively, to approximately 15.61% and 18.24% of the Incorporated Company aggregate shares. As a consequence of the Contribution, Libero, and the GoldenTree Funds came to hold, respectively, approximately 66.15%, 15.61%, and 18.24% of the Incorporated Company which, in turn, came to hold approximately 54.34% of the Issuer ordinary shares (equal to the sum of the Contributed Shares and No. 299,990,000 Issuer ordinary shares which the Incorporated Company already held as at the Contribution date as a consequence of purchases carried out in July 2015), becoming the new controlling shareholder of the Company;

iii. subsequent to the effectiveness of the Contribution, on 9 September 2015, the Incorporated Company, also on behalf of, and in agreement with, Libero, Avenue and the GoldenTree Funds, launched the Takeover Bid at the price per share of Euro 0.0039 (*cum dividendo*), equal to the price recognised by the Incorporated Company for the purchase of the Contributed Shares;

iv. on 8 October 2015, the Issuer Shareholders' Meeting revoked the Company Board of Directors in office as at such date and appointed a new Board of Directors comprised of 9 members, all drawn from the slate proposed by the Incorporated Company;

v. on 23 October 2015, the Takeover Bid pending, the Issuer and the Incorporated Company disclosed to the market the launch of the process that would have led to the Seat IOL Merger;

vi. on 6 November 2015, the Takeover Bid ended with the adhesion of No. 16,638,908,570 Company shares (including adhesions received during the terms reopening period pursuant to art. 40-*bis* of the Issuers Regulation), equal to approximately 25.89% of the share capital, for an aggregate value (calculated on the basis of the consideration of Euro 0.0039 per share) equal to Euro 64,891,743.46. As a consequence of the Takeover Bid, the Incorporated Company came to hold No. 51,558,863,664 Issuer ordinary shares, equal to approximately 80.23% of the Issuer ordinary share capital;

vii. on 20 January 2016, the boards of directors of the Issuer and the Incorporated Company, approved the merger by incorporation plan of Italiaonline into Seat agreeing to submit to the respective extraordinary shareholders' meetings the approval thereof;

viii. on 8 March 2016 the extraordinary shareholders' meetings of the Issuer and the Incorporated Company resolved to approve the merger by reverse incorporation plan of the Incorporated Company into the Company, subject to the prior favourable opinion of the independent directors committee, according to the exchange ratio set at no. 1,350 Company ordinary shares per each Italiaonline share;

ix. on 12 May 2016, the ordinary and extraordinary Shareholders' Meeting of the Company inter alia adopted a number of resolutions the effectiveness of which has been subjected to the effectiveness of the Seat IOL Merger and in particular:
- to approve the grouping together of the outstanding ordinary shares according to the ratio of no. 1 new ordinary share each no. 1,000 existing Company ordinary shares;
- to change the company name of the Company to "Italiaonline S.p.A." and to transfer the registered office in the City of Assago (Milan) keeping a secondary office in the City of Turin.

The Seat IOL Merger was successfully finalised with effectiveness as of 20 June 2016.

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2. Information on ownership structure pursuant to article 123-*bis*, paragraph 1, of the TUF

Below is reported the information required pursuant to article 123-*bis*, paragraph 1, of the TUF, letters a) to m) as of 31 December 2016.

The Company's ownership structure is as follows:

Share capital Euro 20,000,409.64		Class of shares	No. of shares	Par value (€)	% compared to the share capital	Listing markets	Rights and obligations
Ordinary share capital	19,999,224.09	Ordinary shares	114,761,225	-	99.99	Electronic Stock Market organised and managed by Borsa Italiana S.p.A.	As per the law and the Corporate By-Laws (see articles 8 and 11 attached hereto)
Retained earnings	1,185.55	Savings shares	6,803		0.01		As per the law and the Corporate By-Laws (see article 6 attached hereto)

Please be reminded that on 20 January 2016 the Board of Directors of the Company, resolved to adopt the "2014-2018 Stock Option Plan of Seat Pagine Gialle" (the "**Stock Option Plan**"), which became effective after the finalisation of the Seat IOL Merger. For more details on the "Stock Option Plan" please refer to the relating Informative Document – drawn up pursuant to article 84-bis of Consob Issuers' Regulation – as well as to the explanatory report drawn up by the Board of Directors on the topic under item 3 of the agenda of the ordinary shareholders' meeting of the Company of 8 March 2016, both available at the address http://www.italiaonline.it/en/governance/corporate-documentation/stock-option-plan/.

Furthermore, for a better understanding of the above, please note the following:

I) the extraordinary Shareholders' Meeting held on 4 March 2014, in the context of the composition with creditors procedure launched by the Company and Seat Pagine Gialle Italia S.p.A., had resolved to conclude a paid, divisible capital increase, excluding the option right pursuant to art. 2441, paragraphs 5 and 6, of the Italian Civil Code, by a maximum amount of Euro 100,000.00, referring solely to the par value (to which any share premium possibly due should have been added), which may be paid in more than one tranche, through the issuance of up to 3,391,431,376 ordinary shares having the same characteristics as outstanding ordinary shares, to be used exclusively and irrevocably to service the warrants to be issued in accordance with the resolution passed at the above-mentioned extraordinary Shareholders' Meeting and, therefore, the exercise of the subscription right by the holders of the warrants; such increase will be concluded by the final deadline of 1 May 2019. In this respect please note that on 27 July 2016 the "Exercise Period" with reference to the Seat PG 2014-2016 Warrants expired. More specifically, during the exercise period and by the 27th of July an aggregate of no. 13,892,849 warrants has been exercised and accordingly, Company exchange ordinary shares have been issued and assigned, with regular entitlement and the same characteristics as those outstanding as at the issue date, equal to no. 4,848,849 before and 9,044 after grouping (according to the resolution of 18 May 2016). The overall value of newly issued shares has been equal to euro 62,517.82 of which euro 409.64 referred to nominal value and euro 62,108.18 to share premium.

II) Furthermore, the extraordinary Shareholders' Meeting held on 8 March 2016 resolved, among other things:

a) issue also in separate issues maximum No. 50,479,717,236 ordinary shares without indication of nominal value, to be allocated to the Incorporated Company's shareholders on account of exchange for the Incorporated Company ordinary shares outstanding as at the effective date of the Seat IOL Merger;

b) the granting of a delegation to the Board of Directors for the period of five years after the Shareholders' Meeting's resolution date, to increase, for consideration and also in separate issues, the share capital pursuant to art. 2443 of the Italian Civil Code, with exclusion of option rights pursuant to article 2441, paragraphs 5, 6 and 8, of the Italian Civil Code, by a maximum aggregate amount of Euro 800,000, referred only to nominal value (to which the premium that may prove due will be added), by issuing maximum No. 4,589,893,575 ordinary shares without indication of nominal value with the same characteristics of the outstanding ones, to be reserved for subscription by the beneficiaries of the Stock Option Plan; and

c) the granting of a delegation to the Board of Directors, to be exercised within 9 September 2018, pursuant to art. 2443 of the Italian Civil Code, by way of a By-Laws amendment that became effective contextually with the Merger, to increase the share capital for consideration, in one or more issues, with exclusion of option rights pursuant to article 2441, paragraph 4 of the Italian Civil Code. In particular, the share capital may be increased by a number of ordinary shares not exceeding 10% of the aggregate number of ordinary shares outstanding as at the date of the exercise, if any, of the delegation and in any case by maximum 11,474,733,937 ordinary shares (i) pursuant to art. 2441, paragraph 4 first period of the Italian Civil Code, by way of contribution in kind of businesses, business units or shareholdings, as well as assets consistent with the corporate purpose of the Company and the companies participated thereby, and/or (ii) pursuant to art. 2441, paragraph 4, second period of the Italian Civil Code, in case the newly issued shares are offered in subscription to institutional investors and/or industrial and/or financial partners deemed strategic by the Board of Directors for the Company business.

For more details in this respect please refer to the explanatory reports drawn up by the Board of Directors on the topics under items I, II and III of the agenda of the Extraordinary Shareholders' Meeting of 8 March 2016 available at the address http://www.italiaonline.it/en/shareholders-meetings/ordinary-and-extraordinary-shareholders-meeting-8-march-2016-italian-only/.

III) Finally, the Company Extraordinary Shareholders' Meeting of 12 May 2016 further resolved – conditional upon the effectiveness of the Seat IOL Merger – to approve the grouping together of outstanding ordinary shares according to the ratio of no. 1 new ordinary share each no. 1,000 existing Company ordinary shares.

For more details in this respect please refer to the explanatory reports drawn up by the Board of Directors on the topic under item I of the agenda of the Extraordinary Shareholders' Meeting of 12 May 2016 available on the website www.italiaonline.it at the address http://www.italiaonline.it/en/shareholders-meetings/ordinary-and-extraordinary-shareholders-meeting-12-maggio-2016/.

b) Restrictions on stock transfer

Reference is made to what is reported in paragraph f) below.

c) Major interests in the share capital
Below are provided the major interests in the Company's share capital, whether direct or indirect, as resulting from the notices given pursuant to article 120 of the TUF as at 31 December 2016.

Declarant	Direct shareholder	No. of ordinary shares	Overall % share of the ordinary share capital
Marchmont Trust	Libero Acquisition S.à.r.l.	67,500,000.00	58.82
GoldenTree Asset Management LP	GoldenTree Funds(1)	18,608,144.00	16.21
Lasry Marc	GL Europe Luxembourg S.à.r.l.	15,930,433.00	13.88
	Market	12,722,648.00	11.09
	Total	114,761,225.00	100.00

(1) GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners L.P., GT NM L.P. and San Bernardino County Employees Retirement Association

d) Shares conferring special rights
The Company has not issued shares that confer special rights of control.

e) Employee share ownership: mechanism for the exercise of voting rights
As at the date of this Report, there are no employee share ownership systems.

However, please note that on 8 March 2016, the Company Ordinary Shareholders' Meeting resolved to adopt the Stock Option Plan reserved for executive directors and employee managers of the Company, which became effective after the Seat IOL Merger. Said plan does not envisage cases in which voting rights shall not be exercised by employee beneficiaries.

f) Restrictions on voting rights
Pursuant to article 8 of the Corporate By-Laws - Right to attend (as finally amended by resolution passed by the Extraordinary Shareholders' Meeting on 22 October 2012), those who are entitled to vote and are authorised according to the applicable regulations may attend the Shareholders' Meeting in the manner and at the terms and conditions set out. Every person who is entitled to vote and to attend shareholders' meetings may appoint a representative by means of a written proxy or a proxy granted by electronic means pursuant to applicable regulations. The proxy may be issued to an individual or legal entity.

The electronic notification of the proxy may be made by using an appropriate section of the Company's website, according to the procedures specified in the notice of call, or by certified e-mail to be sent to such e-mail address as will be notified in the notice of call from time to time.
The Company may appoint, for each Shareholders' Meeting, by indicating in the notice of call, a person that the members may appoint as a proxy with voting instructions for all or some of the proposals on the agenda, within the time limits and according to the procedures required by law.

g) Agreements that are known to the Company pursuant to article 122 of the TUF
On 9 September 2015, according to the provisions of the investment agreement entered into between the Incorporated Company, Libero Acquisition, Avenue and the GoldenTree Funds on 21 May 2015, Libero Acquisition, Avenue and the GoldenTree Funds entered into a shareholders' agreement, providing for certain arrangements relevant pursuant to article 122, paragraphs 1 and 5, of the TUF and the applicable provisions of Consob Issuers' Regulation, containing arrangements concerning, inter alia, the corporate governance of the Company and Incorporated Company and limitations to the transfer of the relating shares (the "**Shareholders' Agreement**").
Subsequent to the entering into:

- on 23 November 2015 an amendment agreement to the Shareholders' Agreement has been entered into for the purpose of acknowledging the delegation of powers approved by the Company Board of Directors in favour of the Chief Executive Officer of the Issuer and accordingly to repeal every inconsistency between the provisions of the Shareholders' Agreement relating to the powers of the Issuer's Chief Executive Officer and the delegation granted thereto by the Issuer Board; and
- on 8 February 2016, a second amendment agreement to the Shareholders' Agreement has been entered into for the purpose of adding an additional matter to those reserved to the Shareholder (namely those matters that must be resolved upon after approval of Libero and at least one among Avenue and the Golden Tree Funds) in case of capital increases delegated to the Board of Directors pursuant to article 2443 of the Italian Civil Code.

h) Change of control and Corporate By-Laws' provisions concerning Takeover Bids (pursuant to articles 104, paragraph 1-*ter*, and 104-*bis*, paragraph 1)
As at the date of this Report there are no significant agreements relating to the Issuer or one of its subsidiaries the effectiveness of which may be triggered, or which may be amended or terminated in case of a change of control.

Corporate By-Laws' provisions concerning Takeover Bids (pursuant to article 104, paragraph 1-*ter* and 104-*bis*, paragraph 1)
In consideration of the entry into force of the provisions under Legislative Decree no. 146 of 25 September 2009 - containing supplementary and corrective provisions concerning takeover bids - the Extraordinary Shareholders' Meeting held on 20 April 2011 resolved to supplement article 19 of the Corporate By-Laws, making use of the right granted by the amended article 104 of the TUF. Through this amendment, the Board of Directors and its delegated bodies (if any) are permitted to take defensive measures that are able to contrast the achievement of the objectives of takeover bids and share-for-share offers. Specifically, the Board of Directors and its delegated bodies (if any) are entitled, without requiring the permission of the Shareholders' Meeting:
- to perform all acts and transactions within their authority that may thwart the achievement of the objectives of a takeover bid or a share-for-share offer, from the notification by which the decision or the emerging of the obligation to promote the bid/offer are made public, to the closure or forfeiture

of the bid/offer itself;
- to implement decisions within their authority that have not yet been fully or partially implemented and that are outside the normal course of business of the Company, which were taken before the abovementioned notification and whose implementation may thwart the achievement of the objectives of the bid/offer.

i) Agreements between the company and the directors providing for allowances in the event of resignation or dismissal without cause, or termination of their employment relationship as a result of a take-over bid

It should be noted that the information required under art. 123-bis, first paragraph, letter i), are set forth in the Remuneration Report published pursuant to art. 123-ter TUF.

l) Information on the appointment and replacement of directors, as well as to amendments to the Corporate By-Laws if different from legislative and regulatory amendments applicable on a supplementary basis

The appointment and replacement of directors are regulated by article 14 of the Corporate By-Laws, as finally amended by the Extraordinary Shareholders' Meeting held on 12 June 2012, which are attached to this Report in full; reference is also made to paragraphs "*Slate submitted on the occasion of the appointment of the Board of Directors (information pursuant to article 144*-decies *of the Consob Issuers' Regulations)"* and *"Composition of the Board of Directors holding office (article 123-bis, paragraph 2, letter d) of the TUF)".*

Specifically, the proposed amendments to article 14 (*Composition of the Board of Directors*) of the Corporate By-Laws arose from the need to comply with the regulations introduced by Law no. 120 of 12 July 2011, governing gender equality in the composition of governing and supervisory bodies of listed companies, which, in amending the provisions governing the appointment of the members of the governing and supervisory bodies laid down in Legislative Decree no. 58 of 24 February 1998, as subsequently amended, require the listed companies to comply with the gender equality criteria so that the less represented gender should include at least one fifth of the members for the first mandate after 12 August 2012 and at least one third for the two subsequent mandates.

Furthermore, the Issuers' Regulations require the listed companies, *inter alia*, to regulate, in the Corporate By-Laws, the procedures to form slates, as well as to replace the members of the bodies that cease to hold office in order to ensure compliance with the gender equality principle.

Having stated this, the Board of Directors is appointed on the basis of slates submitted by the shareholders or by the outgoing Board of Directors. Each slate must contain and expressly indicate at least two candidates who meet the independence requirements required by article 147-*ter*, IV C, of Legislative Decree no. 58/1998.

The slate possibly submitted by the outgoing Board of Directors and the slates submitted by the shareholders must be deposited at the registered office of the Company within the twenty-fifth day prior to the date of the shareholders' meeting called to resolve on the appointment of the members of the Board of Directors and must be made available to the public at the registered office, on the Company's website and according to the other procedures envisaged by Consob regulations at least twenty-one days prior to the date of the Shareholders' Meeting itself.

Every shareholder may submit, or contribute to the submission of only one slate and any candidate may be appointed to only one slate under penalty of ineligibility.

Only those shareholders who, alone or together with other shareholders, own voting shares representing at least 2% of the voting capital in the ordinary shareholders' meeting, or representing the lower percentage determined by CONSOB pursuant to article 147-*ter*, I C, of Legislative Decree no. 58/1998,

are entitled to submit slates. In such regard, it should be noted that on 25 January 2017, through Resolution No. 19856, Consob set, pursuant to article 144-septies, first paragraph, of the Issuers Regulation, at 42.5% the shareholding percentage necessary for the submission of candidate slates for the election of the management and control bodies, subject to the possibility for a lower percentage to be set forth in the Corporate By-Laws; therefore, in accordance with the Corporate By-Laws provision currently in force, the threshold for the submission of slates for the appointment of the management body must be deemed to be 2%.

In order to prove ownership of the aforesaid right, copies of the certifications issued by authorised intermediaries must be deposited at the Company's registered office, proving ownership of the number of shares necessary to submit the slates themselves, within the time limit set out for the publication of the slates.
Together with each slate, within the term indicated above, professional resumes and statements are to be submitted in which each candidate accepts the nomination and attests, under his/her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the requirements of law and the Corporate By-Laws prescribed for the position, and mentions the possibility of being qualified as independent pursuant to article 147-*ter*, IV C, of Legislative Decree no. 58/1998. The slates that present a number of candidates equal to or higher than three must also include candidates of different genders, as required in the notice of call of the Shareholders' Meeting, so as to allow a composition of the Board of Directors that complies with the current regulations governing gender equality.

Any slate which fails to meet the foregoing requirements shall be considered as not having been submitted.
It is specified that art. 14 of the Corporate By-Laws provides, *inter alia*, that:
- 1) a number of directors equal to the number of the members of the board of directors minus two is taken from the slate that obtained at the shareholders' meeting the highest number of votes expressed, in the sequential order in which they are listed on the slate; 2) the remaining directors are taken from the other slates; in such regard, the votes obtained by the slates will be divided by one and then by two. The quotients obtained will be assigned progressively to the candidates of each of such slates, following the order set forth, respectively, in the same. The quotients assigned in this manner to the candidates on the various slates will be arranged in a single ranking list in declining order. Those who have obtained the highest quotients will be elected. In the event of a tie, the candidate from the slate that has not yet elected any director will be elected.

(i) at least one director must be appointed from a slate, if any, which is not connected, either directly or indirectly, with the shareholders who have presented or voted the slate which has ranked first in the number of votes, and
(ii) at least one director appointed from the slate which has obtained the majority of the votes at the shareholders' meeting, as well as at least one of the directors appointed from the slate ranking second in the number of votes obtained, must meet the independence requirements under article 147-*ter*, IV C, of Legislative Decree no. 58/1998.

- If the procedure described in points 1) and 2) above do not allow for compliance with the legal framework on the balance of genders, the quotient of votes to be assigned to each candidate taken from the slates is calculated by dividing the number of votes obtained by each slate by the ranking number of each of such candidates; the candidate of the more represented gender with the lowest quotient among

the candidates taken from all of the slates is replaced, subject to compliance with the provisions of paragraph (ii) above, by the candidate of the less represented gender, if any, indicated (with the highest sequential ranking number) in the slate of the candidate who is replaced.

To appoint directors who for any reason have not been appointed according to the procedure described by article 14 of the Corporate By-Laws, the Shareholders' Meeting shall resolve with the majority provided by law, without prejudice to the obligation to comply with the minimum number of directors who meet the abovementioned independence requirements. If, during the financial year, one or more directors cease to hold office, article 2386 of the Italian Civil Code shall apply.

Finally, note that, pursuant to article 19 of the Corporate By-Laws, the Board of Directors is competent to adopt resolutions concerning the adaptation of the Corporate By-Laws to regulatory provisions; all other cases are regulated by law.

m) Delegation of powers to increase the share capital and authorisations to purchase treasury shares

We remind that the resolutions adopted by the Extraordinary Shareholders' Meeting of the Company of 8 March 2016 – as amended by the resolution of the Extraordinary Shareholders' Meeting of 12 May 2016[1] - provided, inter alia, for:

(a) the granting of a delegation to the Board of Directors for the period of five years after the Shareholders' Meeting's resolution date, to increase, for consideration and also in separate issues, the share capital pursuant to art. 2443 of the Italian Civil Code, with exclusion of option rights pursuant to article 2441, paragraphs 5, 6 and 8, of the Italian Civil Code, by a maximum aggregate amount of Euro 800,000, referred only to nominal value (to which the premium that may prove due will be added), by issuing maximum No. 4,589,893 ordinary shares without indication of nominal value with the same characteristics of the outstanding ones, to be reserved for subscription by the beneficiaries of the Stock Option Plan; and

(b) the granting of a delegation to the Board of Directors, to be exercised within 9 September 2018, pursuant to art. 2443 of the Italian Civil Code, by way of a By-Laws amendment that became effective contextually with the Seat IOL Merger, to increase the share capital for consideration, in one or more issues, with exclusion of option rights pursuant to article 2441, paragraph 4 of the Italian Civil Code. In particular, the share capital may be increased by a number of ordinary shares not exceeding 10% of the aggregate number of ordinary shares outstanding as at the date of the exercise, if any, of the delegation and in any case by maximum 11,474,733 ordinary shares (i) pursuant to art. 2441, paragraph 4 first period of the Italian Civil Code, by way of contribution in kind of businesses, business units or shareholdings, as well as assets consistent with the corporate purpose of the Company and the companies participated thereby, and/or (ii) pursuant to art. 2441, paragraph 4, second period of the Italian Civil Code, in case the newly issued shares are offered in subscription to institutional investors and/or industrial and/or financial partners deemed strategic by the Board of Directors for the Issuer business.

The shareholders' meeting of the Company never authorised the purchase of treasury shares pursuant to articles 2357 and ff. of the Italian Civil Code.

[1] The Extraordinary Shareholders' Meeting of 12 May 2016, as a consequence of the share grouping resolved on said occasion as first item of the agenda, further deemed necessary to adjust the figures relating to the share capital and the maximum number of shares to be issued in execution of the delegations to increase the share capital contained in article 5 of the Company's By-Laws.

It is specified that the Corporate By-Laws in force, lastly registered with the Companies Register in September 2016, with regard to article 5 (Share capital) for the purpose of transposing the amendments relating to the shares issued after the exercise of the warrants granted by the Shareholders' Meeting of 4 March 2014, are available on the Company's website at the address http://www.italiaonline.it/en/governance/corporate-governance/company-by-laws/.

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- **Direction and Coordination Activity**

As at the date of this report no entity exercises the direction and coordination activity over the Company pursuant to art. 2497 of the Italian Civil Code.
In this respect please note that, although art. 2497-sexies of the Italian Civil Code provides that "*it is assumed, unless evidence to the contrary, that the direction and coordination activity of companies is exercised by the company or entity bound to consolidate their financial statements or which otherwise controls them pursuant to art. 2359*", the Company deems not to be subject to the direction and coordination activity of Libero, which however holds a 58.82% stake of the share capital, in light of the following reasons:
(i) Libero never exercised and does not exercise any kind of direction and coordination activity over the Company (in particular Libero does not prepare group strategic, industrial, financial and budget plans, with actual decision making powers over the subsidiary; it does not issue directives concerning financial and credit policies, acquisitions, disposals and concentrations of shareholdings/activities, with modalities such as to impact on the subsidiary operational activity; it does not release group strategic directives);
(ii) there are no organisational-functional connections, or economic relations of any kind, or any centralisation of functions, such as, without limitation, treasury, administration or strategic direction control of the Company between Libero and the Company;
(iii) Libero limits the relation with the Company to the mere exercise of administrative and economic rights deriving from the status of shareholder and to the receipt of the information necessary to draft consolidated financial statements; and
(iv) the Company operates in conditions of corporate and entrepreneurial independence in respect of its controlling entity Libero, in particular, retaining an independent negotiation capacity in the relations with clients and providers and the capacity to define its own strategic and development directives.

Libero is a Luxembourg law company, indirectly controlled by Marchmont Trust. For further information, please refer to Chapter 2, Information on Ownership Structure pursuant to art. 123 bis, paragraph 1, of the TUF.

Pursuant to article 2497-*bis* of the Italian Civil Code, companies directly controlled by IOL have identified the latter as the entity that exercises direction and coordination activities over them. Such activity consists in indicating the general strategic and operating guidelines of the Group and takes concrete form in the definition and updating of the corporate governance and internal audit model, and in the formulation of the general policies for the management of human and financial resources, the procurement of production, training and communication factors.

3. Compliance (pursuant to article 123-*bis*, paragraph 2, letter a) of the TUF)

The Company adhered to the Corporate Governance Code, in the version currently in force, undertaking to perform all activities necessary to grant full execution to the principles and rules provided for therein.
The Code may be accessed by the public from the website of the Corporate Governance Committee at http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/code2015.en.pdf.

The Company has adopted a set of rules, behaviours and processes aimed at ensuring an efficient and transparent system of corporate governance. This system is based on a series of procedures and codes, which are reviewed and updated in order to ensure an efficient response to the changes occurring in the relevant regulatory framework and in the best practices.
Having said this, pursuant to the regulations in force, below is an analytical description of the corporate governance system and of the behaviour adopted by the Company in the light of a correct governance and control system, specifying that none of the Company's subsidiaries is of strategic importance.
Attention is particularly paid to:

- the degree to which the recommendations contained in the individual principles and criteria set out in the Code are applied, consistently with the current provisions, as well as with the recommendations expressed in the Introductory Principle of the Code, in order to provide full information about the extent to which the Company complies with the Code itself;
- summary information in tabular form.

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Please finally note that with Legislative Decree 254 of 30 December 2016 the legislative procedure to transpose directive 2014/95/UE ("*amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups*") was finalised.
The provisions of said decree, entered into force on past 25 January, shall be applied as regards to events and circumstances relating to the fiscal year starting on 1 January 2017. So called "public interest entities" are the addressees of the rules (amount which are Italian companies the securities of which are admitted to trading or which have applied for the admission to trading on Italian regulated markets) reaching specific size relevance thresholds.
All appropriate internal measures to identify the actions deemed necessary in order to conform to the prescriptions of the aforementioned regulation, to the extent of interest for the Company, will therefore be put in place.

Company organisation

The organisational structure of the Company is articulated according to the traditional system and is comprised of:
- The **Shareholders' Meeting;**
- The **Board of Directors; and**
- The **Board of Statutory Auditors.**

Statutory auditing activities are carried out by the **Independent Auditors.**

The role of the Board of Directors (Article 1 of the Code; article 123-*bis*, paragraph 2, letter d) of the TUF)

The Board of Directors is assigned a central role in the Company's Corporate Governance system. It meets regularly (usually every two months; however, in consideration of the need arose in the course of 2016, mainly associated with the Integration Process with the Incorporated Company, the frequency

has been higher), organising itself and operating in such a way as to assure real and effective performance of its functions.
It is specified that the Board is vested with the widest powers for ordinary and extraordinary management of the Company, and therefore has the power to perform all actions that it deems appropriate for the implementation and achievement of the corporate purposes, both in Italy and abroad, the only exception being those measures that by law are reserved as being the prerogative of Shareholders' Meetings (article 19 of the Corporate By-Laws).
Again, pursuant to article 19 of Corporate By-Laws, the Board is also competent to pass resolutions concerning:

- mergers, in the cases envisaged by articles 2505 and 2505-*bis* of the Italian Civil Code, and demergers in the cases when such rules are applicable;
- opening or closing down secondary offices;
- indication of which directors have powers of corporate representation;
- reduction of share capital in the case of withdrawal by shareholders;
- adaptation of the Corporate By-Laws to regulatory requirements;
- transfer of the company's head office within the national territory.

The Board, whilst complying with legally established limits, may, for the execution of its resolutions and for business management:

- create an Executive Committee, determining its powers and the number of its members;
- delegate appropriate powers, determining the limits of powers delegated, to one or more directors, possibly qualifying them as Chief Executive Officers;
- appoint one or more General Managers and business attorneys, determining their attributions and powers. The Board of Directors is also empowered to set up Committees, in compliance with the recommendations of the Code.

As previously mentioned, in consideration of the entry into force of the provisions under Legislative Decree no. 146 of 25 September 2009 - containing supplementary and corrective provisions concerning takeover bids - the Extraordinary Shareholders' Meeting held on 20 April 2011 resolved to supplement article 19 of the Corporate By-Laws, making use of the right granted by the amended article 104 of the TUF. Through this amendment, the Board of Directors and its delegated bodies (if any) are permitted to take defensive measures that are able to contrast the achievement of the objectives of takeover bids and share-for-share offers.

It should be noted that powers attributed to the Chairman (corporate representation) and to the Vice Chairman and to the Chief Executive Officer (as indicated below) are exercised in compliance with applicable legal constraints - as regards matters that cannot be delegated by the Board of Directors -, as well as with the principles and limitations (and specifically with the reservations pertaining to the Board of Directors) set out in the Code. The Board of Directors then retains exclusive competence, as per the provisions of the Corporate By-Laws, for all matters not expressly delegated to executive directors.
With specific regard to the recommendations under article 1 of the Code, note that the Board has the prime responsibility to determine and pursue the Company's and the Group's strategic goals.

With specific reference to the application criteria under article 1 of the Corporate Governance Code, the Board of Directors' exclusive competence also includes, but is not limited to, the following functions:

- review and approval of the Company's and the Group's strategic, business and financial plans, periodically monitoring the implementation, the definition of the corporate governance structure and the structure of the Group itself, as well as the assessment of the adequacy of the organisational, administrative and accounting structure of the Company and of subsidiaries of strategic importance, with specific reference to the internal audit and risk management system.
  In this respect, we remind that, in order to comply with the Code's recommendation, the Board approved, in the meeting held on 24 April 2013, the adoption of a process that provides for the Board' obligation to periodically monitor any strategic, industrial and financial plans.
  In this respect please note that, in the context of the Integration Process between the Issuer and the Incorporated Company, on 15 January 2016 the Board of Directors approved the Business Plan for the three-year period 2016-2018 of the Group resulting from the Seat IOL Merger. The plan has been subsequently updated on 15 March 2017, extending the term thereof to 2019 and updating the economic-financial targets for the three-year period 2017-2019.
  Furthermore, it should be noted that, as regards criterion 1.C.1, letter c), of the Code - which requires a formal assessment of the organisational, administrative and accounting structure of the company and of its "subsidiaries of strategic importance" –, it is a policy of the Company to prepare a document on the organisational, administrative and accounting structure of the Company and the structure of the Group, aimed at providing a summary description of: (i) the organisational structure of the Company and of the Group companies; (ii) the administrative and accounting structure of the Company. It should be recalled that, already before the Seat IOL Merger, according to a "size-based" business criterion, no subsidiaries were found to have a strategic importance calling for a specific assessment of the structure by the Board as required by the Code. This criterion consisted and still consists of a consolidated EBITDA contribution of not less than 10% (the Board still has the possibility of also attributing strategic importance to subsidiaries whose contribution to EBITDA is lower, by reason of the type of business they conduct).
  None of the subsidiaries is considered of strategic importance.

  In any case, it should be noted that the Internal Audit function normally performs activities whose purpose is to verify, if requested to do so, whether the Internal Audits carried out in the subsidiaries are adequate.

  Without prejudice to the periodic assessments already conducted pursuant to article 2381, paragraph 3, of the Italian Civil Code, on 15 March 2017, the Board of Directors:
- gave favourable opinion upon the adequacy of the corporate governance, organisational, administrative and accounting system of the Company and of the Group's structure; provided that, as highlighted by the Control and Risk Committee, the outcomes of the audit relating to the revenue recognition of sale of digital advertising services of the Incorporated Company and the relevant initiatives suggested by the same Committee, in the course of implementation;
- carried out the annual assessment on the functioning of the same Board and its Committees, as well as their size and composition.
  In this regard (as regards the application criterion 1.C.1, letter g), of the Code), note that the Board, during the meeting held on 15 March 2017, fulfilled this requirement based on "self-assessment" questionnaires - the formulation of which was substantially consistent with that used in the past - transmitted and compiled by Board members and subsequently processed by the Corporate Affairs Function upon mandate of the Chairman of the Appointments Committee. In this respect, please also note that the Company's independent directors after their meeting of 18 January 2017 as well as after a preliminary in-depth analysis carried out on the contents of the

questionnaire used in the past, had agreed upon the choice to confirm the questionnaire as self-assessment tool and the adequacy of the content thereof. The Board resolved that the size, composition and operation of the Board and of its Committees are adequate, and that it does not consider that any additions to the Board, including with reference to independent directors, are necessary given the existing qualifications of the present members of the board of directors. Please however note that self-assessment questionnaires highlighted that some board members wish for a greater number of independent directors within the board, and this also for the purpose of a greater diversification in the composition of internal committees.
Finally, let us point out that for purposes of the self-appraisal, the Board (i) did not avail itself of external consultants and (ii) taking into account the above-mentioned outcome, did not conclude that it was necessary to report to the shareholders any view on the professional figures whose presence on the Board would be deemed advisable.

Furthermore, it should be noted that:

- with reference to the definition of the nature and level of the risk compatible with the strategic objectives of the Company (criterion 1.C.1, letter b) of the Code) the Company avails itself of a process known as Enterprise Risk Management (hereinafter the ERM), a process implemented by the management with the support and coordination of the Internal Audit & Compliance Department on an annual basis which is aimed at identifying, assessing and controlling the main (strategic, operational, reporting and compliance) risks that could compromise the achievement of the Company's corporate targets. The results, following a review and assessment by the Control and Risk Committee at the meeting held on 4 July 2016, were examined by the Board of Directors at the meeting held on 4 August 2016 (for a detailed description of the ERM process please see the below chapter on the "Internal Control System", paragraphs 2.4.1 and 2.4.2);
- with reference to criterion 1.C.1, letter e) of the Code, the Board of Directors assessed the general trend in the management, taking into consideration, in particular, the information received from the Chief Executive Officer, and also periodically comparing the results achieved with expected ones. In this respect please note that on 5 March 2017 the Board of Directors approved an update of the Business Plan 2016-2018, already resolved upon on 15 January 2016 in the context of the Integration Process, extending the terms thereof to 2019 and updating the economic-financial targets for the three-year period 2016-2018;
- with reference to criterion 1C1, letter f) of the Code, the Board, when appropriate, passes resolutions on transactions of the Company and of the subsidiaries, when these transactions have a significant strategic, economic, capital or financial importance for the Company itself. For this purpose, note that article 16 of the Corporate By-Laws establishes that the Board of Directors and the Board of Statutory Auditors must be informed, also by delegated bodies, of the activity performed, the general business performance, the expected business progress and of the most important transactions in business, financial and capital terms carried out by the Company or by its subsidiaries. In particular, directors must report on transactions in which they have an interest on their own account or that of third parties, or that are influenced by the entity, if any, carrying out the activity of management and co-ordination.

Note that disclosure obligations under the abovementioned article 16 of the Corporate By-Laws and article 150, paragraph 1, of the TUF are fulfilled by means of a procedure whose purpose is to ensure transparency, not only as regards related-party transactions in which an interest is held, either on its own account or on behalf of third parties, or which are influenced by the entity that performs the activity of direction and coordination (including inter-group transactions), but also as

regards all transactions that have been conducted, the most important transactions in business, financial and capital terms carried out by the Company and atypical or unusual transactions.
It should be noted that, on 10 November 2010, the Board of Directors - in the implementation of Consob Related-Party Regulation approved the "Procedure in the matter of Related-Party Transactions" ("**RPT Procedure**")– which was made available on the website www.seat.it (now www.italiaonline.it) on 1 December 2010 – specifying the procedures which must be applied by the Company in implementing, either directly or through subsidiary companies, related-party transactions, effective from 1 January 2011. The Procedure provides that the Company's Related Parties must notify the Chief Executive Officer, as soon as possible, of the information necessary to allow the Company to fulfil the obligations laid down in the abovementioned Regulation; the Chief Executive Officer will, in turn, notify the Board of Directors and the Board of Statutory Auditors, at the time of the board meeting, of the existence of transactions (if any) with related parties, in order to pass the related resolutions, taking account of the opinion expressed by the Control and Risk Committee for "minor transactions" and by the Independent Directors Committee for "major transactions". The Extraordinary Shareholders' Meeting of 20 April 2011 subsequently resolved to introduce, in the Procedure referred to above, some mechanisms for the approval of Related-Party Transactions in derogation from the Procedure, upon prior introduction of the same into the Corporate By-Laws. For this purpose, a new article has been introduced in the Corporate By-Laws which is dedicated to Related-Party Transactions (article 23, referred to below).
As recommended by CONSOB communication no. DEM/10078683 of 24 September 2010, the RPT Procedure is subject to assessment on a three-year basis, so to allow to take into account, inter alia, the amendments possibly intervened in the ownership structure as well as the effectiveness shown in the application practice. During the last months of 2016 an assessment process of the current RPT Procedure has been launched, the outcome of which have been submitted to the Control and Risk Committee (in its mandated functions of Independent Directors Committee) during the meetings of 22 February and 13 March 2017.
Please note that the Company has adopted an internal procedure that provides a constant flow of information from subsidiaries to IOL itself, regarding the main corporate events.
For the sake of completeness, it should be noted that on 26 January 2016, the Company made available to the public by way of lodging with the registered office and the secondary office of the Company as well as by means of publication on the Company website www.italiaonline.it, governance section, as well as on the website of Borsa Italiana S.p.A. www.borsaitaliana.it, the Disclosure Document related to the Seat IOL Merger drafted in accordance with art. 5 of Consob Regulation No. 17221 of 12 March 2010, as subsequently amended, on related party transactions.

Slate submitted on the occasion of the appointment of the Board of Directors (information pursuant to article 144-decies of the Consob Issuers' Regulations)

Without prejudice to the provisions under article 14 of the Corporate By-Laws (as mentioned above, as finally amended by the Shareholders' Meeting of 12 June 2012), with reference to the rules applicable to the appointment and replacement of directors (see what is reported in paragraph no. 2 with reference to article 123-*bis*, paragraph 1, letter l) of the TUF), note that, at the time of the appointment of the Board of Directors currently holding office, which took place at the Shareholders' Meeting of 8 October 2015[2], the Company took steps to complete the formalities set out in articles 144-*octies* and 144-*novies* of the Consob Issuers' Regulations.

[2] Save for the appointment of Board Member Antonia Cosenz (who replaced Cristina Mollis – who resigned with effect as of 6 November 2015-, appointed by co-optation on 10 November 2015 and subsequently confirmed with resolution of the Shareholders' Meeting of 8 March 2016) and the Chairman of the Board of Directors Tarek Aboualam (who replaced

Specifically, with reference to the appointment of directors**,** within the terms set out by the regulations in force, exhaustive information has been provided regarding the personal and professional characteristics of the candidates, including the statements made by those who meet the independence requirements required by the regulations in force; furthermore, the name of the shareholder has been provided which submitted the slate, as well as the relevant stake held (reference is made to the Incorporated Company, holder, at the time of submission of the slate, of no. 34,919,955,094 ordinary shares, representing 54.34% of the ordinary share capital of the Company). The Company has promptly taken steps to make this documentation public through the website at the address http://www.italiaonline.it/wp-content/uploads/2015/08/Lista20del20socio20Italiaonline20S.p.A.20relativa20alla20nomina20del20Consiglio20di20Amministrazione-1.pdf

It should be noted that, as a slate was submitted which included a number of candidates higher than three, in accordance with the current regulations governing gender equality, the slate itself must include four candidates of different genders.

Composition of the Board of Directors holding office (article 123-*bis*, paragraph 2, letter d) of the TUF)

The Shareholders' Meeting of 8 October 2015 resolved, inter alia:

- to set the number of the members of the Board of Directors at 9, establishing a term of office up to the approval of the financial statements for the financial year ended 31 December 2017;
- to appoint Messrs. Khaled Galal Guirguis Bishara, Antonio Converti, Sophie Sursock, Onsi Naguib Sawiris, David Alan Eckert, Corrado Sciolla, Maria Elena Cappello, Cristina Mollis and Cristina Finocchi Mahne (all drawn from the single slate submitted by the Incorporated Company), also appointing Khaled Galal Guirguis Bishara as Chairman of the Board of Directors. Such resolution was passed with the approval of 98.637% of the voting capital.

It should be noted that the Directors Corrado Sciolla, Maria Elena Cappello, Cristina Mollis and Cristina Finocchi Mahne declared that they met the independence requirements laid down in the combined provisions of articles 147-*ter*, paragraph 4 and 148, paragraph 3, of Legislative Decree no. 58/1998 and of the Code (see below).

Furthermore, again on 8 October 2015 the Board of Directors appointed Antonio Converti as Chief Executive Officer of the Company and David Alan Eckert as Vice President.

On 10 November 2015, the Board of Directors of the Company resolved to co-opt Antonia Cosenz as Director, after verifying that independence requisites were met, to replace Cristina Mollis, who resigned with effect as of 6 November 2015. Antonia Cosenz has then been confirmed during the meeting held on 8 March 2016.

On 14 February 2017, the Company Board of Directors further resolved to co-opt as member of the Board of Directors and Chairman Mr. Tarek Aboualam, to replace Mr. Khaled Galal Guirguis Bishara, who resigned with effect as of 14 February 2017. The evaluation regarding the confirmation of Mr. Tarek Aboualam will be submitted to the attention of the coming Shareholders' Meeting.

Khaled Galal Guirguis Bishara – who resigned with effect as of 14 February 2017 – and appointed by co-optation on the same date).

Below is reported the composition of the Board as of the date of this Report, accompanied by the information on personal and professional characteristics of the Directors:

TAREK ABOUALAM

Tarek Aboualam has is the founder of Glint Consulting, which has leveraged on his expertise to offer Digital & Technology and Management Consulting services that aim to build successful companies and maximize their value.

Prior to Glint, Tarek has been the CEO of Mobiserve Group Operating in 8 countries in MENA (Middle East North Africa). In 2012, Tarek led the turnaround of Egypt's incumbent operator Telecom Egypt (TE) in a challenging environment acting as TE's CEO & Managing Director after serving as the Senior VP for International & Wholesale.

In 2008, Tarek joined Orascom Telecom as the Fixed & Broadband Development Director. Between 2005 and 2008, Tarek actively contributed to the turnaround of the Italian operator Wind acting as the Planning and Business Intelligence Director of its Fixed Business Unit. Before 2005, Tarek started his career by co-founding & managing 2 of the first ISPs in Egypt (TE Data & Soficom).

Tarek served as Chairman and board member on the boards of several Telecom and Technology companies including: Telecom Egypt, Vodafone Egypt, Mobiserve, TE Data, Xceed, Soficom, Glint Consulting, Tellas, Tirocon and TED-Jordan.

He holds a bachelor degree in Telecommunication Engineering from Alexandria University.

ANTONIO CONVERTI

Born in Calabria, Computer Science graduate from the University of Pisa, he begins his career at Olivetti. Since 1995 he devoted himself to the web: at first in Italiaonline (first release), where he creates the search engine Arianna, then in Wind Telecomunicazioni, where he manages the start-up of the Internet division. Therefore dedicates one year to the start-up of 3 Italy and goes back to Wind to take part in the top management. In 2011, he runs the spin-off of Libero and ITnet from Wind. A year later, at the helm of Libero S.r.l., he concludes the acquisition of Matrix form Telecom Italia: the "new" Italiaonline is born, the leading internet operator in Italy. In 2016 he leads the reverse merger of Italiaonline into Seat Pagine Gialle, consolidating the company's leadership in the digital advertising market for large accounts and in the local marketing services, with the mission of digitizing Italy's SMEs. Married, he has a daughter and is passionate about jazz.

DAVID ALAN ECKERT

For 25 years, David Eckert has been a serial CEO who specializes in revitalizing companies. He has led businesses in industries ranging from industrial valve manufacturing to education to internet services to oil recycling to financial services to environmental services to retailing, and ranging in annual revenue from US$40 million to US$2 billion.

David's most recent engagement was as CEO of the Hibu Group, whose thousands of employees on four continents provide print advertising, websites, and other internet services to small and medium enterprise customers.

Before his CEO roles, David was a Vice President and Partner at Bain & Company, where he concentrated on corporate strategy and profit improvement.

Since 1991, David has sat on or chaired dozens of parent or subsidiary boards of directors, in and beyond his native U.S. Among the boards he has served on are those of X-Rite, Inc. (NASDAQ: XRIT), Safety-Kleen Systems, Inc., the Hibu Group, and Clean Harbors, Inc. (NYSE: CLH).

David was awarded an MBA from the Harvard Business School, where he was a Baker Scholar and a Loeb Rhoades Fellow. Earlier, he received a bachelor's degree with highest distinction from Northwestern University, majoring in mechanical engineering and economics.

SOPHIE SURSOCK

Sophie is currently in charge of corporate finance in Accelero Capital, of which she is also one of Co-Founders. Prior to this position she was a Corporate Finance Manager at Orascom Telecom Holding (OTH) S.A.E/Weather Investments. Sophie was responsible for business planning and liquidity analysis throughout the Orascom Telecom and Weather groups. During this time, Sophie's key roles were M&A transaction as well as overseeing debt and equity capital markets' issues and liability management.

Before joining OTH in 2007, Sophie held the position of Senior Analyst, M&A Transaction Service at Deloitte's corporate finance division. She was part of the team handling financial advisory and due diligence for Private Equity and corporate clients. Preceding her position at Deloitte, Sophie was the Junior Project Manager at PrimeCorp Finance S.A. where she was involved in the structuring of a 100-million euro technology fund.

Before joining PrimeCorp, Sophie also held the position of Junior Investment manager at Axa Investment.

Sophie received a Bachelor in Business Administration and an MSc in International Business from Paris Graduate School of Management (ESCP-EAP). In addition she successfully completed a student exchange program in Bangkok achieving a Certificate in the Management of Technology

ONSI NAGUIB SAWIRIS

Onsi N. Sawiris is Managing Partner and Co-Founder of HOF Capital, a company created to invest in emerging growth technology start-ups that have an international scope leveraging his expansive and diverse network in Egypt and the MENA region so to assist companies in expanding their global footprint. Onsi is also Director and Co-Founded Energal, a startup dedicated to the energy development thorugh renewable sources such as smart meters, solar power solutions across many verticals as well as hybrid power systems. Prior to that, he was working as an analyst at Arma Partners, an investment bank which specialises in seller-side M&A in the TMT sector.

Onsi is a board member of Mach Music, Optij Solutions, World Capital Services and Voltaire Capital Holdings and obtained a Mechanical Engineering degree from the Massachusetts Institute of Technology (MIT).

CORRADO SCIOLLA

Corrado held the office of Chairman of BT Continental Europe & Global Telecom Market between 2013 and 2017, company operating in over 40 countries and that employs more than 8,000 people.

Previously, between 2011 and 2013, he held the office of Chairman and General Manager of BT France based in Paris; ICT company operating with almost all of the “CAC 40” companies, the main index of the French Stock Exchange. At the same time, and since March 2004 he also held the office of Managing Director of BT Italy (formerly Albacom), second operator “for turnover” of telecommunications services to companies in Italy, with offices in Milan and Rome, making a complete turnaround of the company and making it the biggest reality of BT outside UK.

In 2001 he was appointed General Manager of Wind Telecomunicazioni, an office he held until 2003, with the responsibility to implement, through the joint leadership of Marketing (for fixed-line, mobile and internet), Sales (for the residential and business markets), Network, Customer Service and Information Systems departments, the Wind Telecomunicazioni strategy, managing more than 8,000 people.

Previously, between 2000 and 2001, he was appointed Chief Financial Officer in Syntek Capital - investment company in the areas of new technologies, telecommunications and media with offices in

Monaco, Milan, New York and Tel Aviv – with the responsibility to ensure the monitoring of all investment and disinvestments activities of the company.
In 1999 he holds the position of Business Development Director of News Corporation Europe and Managing Director of Stream, with the responsibility to ensure the realization of the News Corporation strategy in continental Europe and to start the re-launch of Stream (second Italian Pay TV) .
From 1993 to 1998 he is Senior Engagement Manager at McKinsey, based in Milan, with the responsibility of media-multimedia practices for Italy, managing several projects in the telecommunications, media and retail sectors.
Member of the Executive Committee of Confindustria innovative services with responsibility for the international between 2010 and 2013, he also held the office of Vice Chairman of Asstel between 2007 and 2013.
Corrado Sciolla holds a Degree in Electronic Engineering from the Politecnico of Turin and a Master in Business Administration (Scolarship FIDIS) at the Institut Européen d'Administration des Affaires, in Fontainebleau, France.

MARIA ELENA CAPPELLO
In 1991, she joined Italtel S.p.A. as System Consultant in the Switching OSS Business Unit. In 1994, she joined EMC Italia S.p.A. where she was then appointed Head of Public Administration Sales Area and of the Telecom Division.
In 1998, Maria Elena Cappello joined Compaq Computer (subsequently Hewlett Packard) EMEA in Munich (Germany), where she worked as EMEA Storage Division Marketing Manager, EMEA Storage Division Business Development Manager, EMEA Compaq Global Services Executive Director and EMEA Service Provider Group Executive Director.
In 2002, leveraging her entrepreneurial skills, she founded and expanded Metilnx Inc., an innovative European software company operating in the USA. In 2005, she became Sales Senior Vice President at Pirelli Broadband Solutions S.p.A.
In 2007, she joined Nokia Siemens Networks (currently Nokia) as worldwide Strategic Marketing Manager, subsequently serving as Chief Executive Officer, General Director and Vice President of the Board of Directors at Nokia Siemens Networks Italia S.p.A. She currently serves as Independent Director at Prysmian S.p.A., Saipem S.p.A and Monte dei Paschi. Moreover, she is a member of the Global Female Leaders Summit's Advisory Board.
Other prior relevant mandates: Independent Director of Sace S.p.A.; member of the Management Board of A2A S.p.A.; Chairman of the Research and Innovation group of the External Investors Committee of Confindustria; Member of the Steering Committee and Vice President of GSA (Global Mobile Supplier Association).

CRISTINA FINOCCHI MAHNE
Business economist, governance expert, she has been senior executive of blue chips with market capitalisation exceeding Euro 5 billion and, since 2010, she is member of the board of directors of listed companies in Italy and abroad. She currently is Independent Director of:

- Banco Desio e della Brianza Group, among the first 15 listed Italian banking groups.
- Trevi Group, worldwide niche leader in underground engineering works.
- Natuzzi Group, global payer in the modern design furniture retail sector, listed on the New York Stock Exchange, NYSE.
- Inwit, main player in the sector of transmission towers with market cap exceeding euro 2.5 billion where she also holds the office of Chairman of the appointments and remuneration committee.

Among other mandates, she is Co-President for Italy and member of the executive committee of WCD Foundation, international think tank on best practices in corporate governance. WCD counts over 5000

directors from throughout the world, sitting on over 8,500 boards of listed companies, the aggregate total market capitalization of which is equal to $8,000 billion.
Professor of Economics of Industrial and Banking Groups (formerly called Advanced Business Administration), master's degree programme, major in Advanced Economics, at the Faculty of Economy of the University of Rome La Sapienza.

She has been professor of Corporate Governance, international MBA, at LUISS Business School and ABI Professor, Courses of control systems and corporate governance, reserved for Board Members of Banking Groups.
From 2010 to April 2013, she has been Director of a company listed on the AIM, Italian leader for strategic advice in financial communication and corporate governance.
From 2004 to 2012 she has also been Author and Anchor-women of Watchdog, first TV programme focusing on governance issues, which was on air on Class CNBC, the business-financial channel SKY 507.
Previously, she was a Member of the Management Committee, as Head of Investor Relations and Group Strategic Communications for important blue chip financial companies with market capitalization exceeding Euro 5 billion.

She earned her Economics degree from the University La Sapienza, and an MBA from LUISS Business School, with specialization in Corporate Finance and International Marketing. Later, she attained additional specializations in finance and management skills in Los Angeles and London.
She began her career in the corporate finance division of Euromobiliare, an investment bank that was initially controlled by HSBC, and later gained extensive experience in finance with Tamburi&Associati, JP Morgan and Hill&Knowlton.
For her professional achievements, in 2003, she received the Distinguished Executive Award from Luiss University and in 2007, she received the Best in Class award from La Sapienza University, Economics Department. Author of numerous articles published in leading Italian financial newspapers.
She lectures at national and international conventions on economic and corporate governance issues.

ANTONIA COSENZ
Antonia Cosenz, lawyer, is currently Head of Legal and Regulatory Affairs of Banco BPM S.p.A. In this role, she is responsible for the Banco BPM group of legal advice, litigation by and against the group, finance transactions as well as of the relations between Supervisory Authorities and the group.
Before her appointment as Head of Legal and Regulatory Affairs of Banco BPM S.p.A., she has been responsible for the Extraordinary Transactions and Legal Finance of Banca Popolare di Milano S.c.a r.l. which she joined back in 2013 and, before then, she has gained established experience in a very important Italian law firm specialized in corporate and capital markets, providing care for major broadcasters and Italian and foreign financial institutions in capital market operations, corporate finance, private and public M&A.
From 2001 to 2003 she has also worked with the legal department of Sicilcassa SpA, bank in Compulsory Administrative Liquidation, for the management of litigation about liquidation.
Antonia Cosenz graduated in Law at the University of Palermo, in 2002 she obtained the license to practice as a lawyer.

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With reference to criterion 1.C.1 letter j), it should be noted that - as for the internal handling and the external disclosure of inside information and making specific reference to the adjustment by the

Company (which had in the past already adjusted to the prior regime) to the new regime in the matter of market abuse, pursuant to Regulation (EU) 596/2014 ("**MAR Regulation**") entered into force on 3 July 2016 -, the Company took all necessary actions for the purpose of a timely further compliance by approving a series of amendments to the prior internal procedures which, as a consequence, have been replaced with the following procedures:

- the procedure "*Guidelines for the handling of inside information*", entered into force on 7 July 2016[3], with the purpose of providing, in application of the general principles prescribed by the EU legislator, all necessary indications for the handling, monitoring, internal circulation and disclosure to the market and the public of inside information, defining and identifying the "parties involved", the rules of conduct, disclosure obligations, timings and relating sanctions, as well as the set-up, keeping and updating modalities of the "List" of persons who, by reason of their work or professional activity or functions carried out, have access to "inside information" (pursuant to article 18 of the MAR Regulation). The Procedure further identifies the function responsible for keeping and updating the List, the content thereof, the parties to be included, notice and disclosure obligations, updating and keeping procedures. The List was instituted as from 1 April 2006; and
- the "*Internal Dealing Procedure*", effective as of 7 July 2016, which superseded, effective as of the same date, the prior "Internal Dealing Procedure" adopted by the Company, in compliance with law 18 April 2005 no. 62 (EU Law 2004) implementing the EU regime in the matter of market abuse (Directive 2003/6/EC). The Procedure lays down a disclosure obligation (to the contact person identified in the Procedure, who, in turn, gives notice to Consob and the market) of transactions amounting to or in excess of Euro 5,000, conducted on the securities of the Company and of its subsidiaries, by (i) the "relevant parties" and (ii) "persons closely related to the relevant parties". "Black-out periods" are provided for, namely, fixed periods during which persons subject to the provisions of the Procedure are barred from conducting any transaction.

The Company provides evidence of the above through the website at the following address: http://www.italiaonline.it/en/governance/corporate-documentation/market-abuse-internal-dealing/

As regards application criterion 1.C.3 of the Code, pursuant to which the Board expresses its view of the maximum number of positions as a director or as a statutory auditor (in listed companies on regulated markets, including foreign markets, as well as in financial, banking, insurance companies or companies of major size, as specified under criterion 1.C.2 of the Code) that may be considered compatible with the effective performance of the duties of a Company director, taking account of the participation of the Directors in the Committees established within the Board -, the Board of Directors laid down general criteria that differed according to the commitment expected of each position (executive, non-executive or independent director), also in the light of the nature and the size of the companies in which such positions are held, as well as of whether they belong to the issuer's group.
Specifically, the Board, most recently at the meeting of 24 April 2013, (i) confirmed (with respect to the practice applied in the past) as companies of a major size, apart from listed companies, those with a turnover of more than Euro 500 million; (ii) established the following limits to the numbers of positions, specifying that positions held in more than one company belonging to the same group

[3] The Guidelines in practice repealed and superseded, effective as of 7 July 2016, the *"Internal code of conduct for internal dealing*" previously adopted by the Company, in compliance with law 18 April 2005 no. 62 (EU Law 2004) implementing the EU regime in the matter of market abuse (Directive 2003/6/EC).

(including the IOL Group) are to be considered as one position, the one that entails the greatest degree of professional commitment prevailing:

- maximum number of positions as non-executive director for a IOL Executive Director in the companies indicated above: no more than 3
- maximum number of positions as non-executive director for an Executive Director in the companies indicated above and non-executive or independent director in IOL: no more than 5
- maximum number of positions for a Non-executive director or as a statutory auditor in the companies indicated above and non-executive or independent director in IOL: no more than 8.

Furthermore, it should be noted that on 24 April 2013 the Board also resolved, for the purposes of the achievement of the previous thresholds, to also calculate the position deriving from the participation in the Control and Risk Committee.

Having stated this, as regards offices held by our Directors as statutory auditors or directors of companies indicated in criterion 1.C.2 of the Code, we highlight - based on the information received in February 2017 - the following:

CHART OF RELEVANT OFFICES

Tarek Aboualam	-
Antonio Converti	Member of the *Supervisory Body* of Telegate AG
David Alan Eckert	-
Sophie Sursock	Member of the Board of Director of Dada
Onsi Sawiris	-
Corrado Sciolla	-
Maria Elena Cappello	Member of the Board of Directors of A2A; Member of the Board of Directors of Saipem; Member of the Board of Directors of Banca Monte dei Paschi di Siena; Member of the Board of Directors of Prysmian and member of the relevant Control and Risk Committee; Member of the Board of Directors of FEEM (Fondazione Eni Enrico Mattei).
Cristina Finocchi Mahne	Member of the Board of Directors of Inwit; Member of the Board of Directors and of the Control and Risk Committee of Trevi Group; Member of the Board of Directors and of the Control and Risk Committee of Gruppo Banco Desio; Member of the Board of Directors of Natuzzi.
Antonia Cosenz	-

The current composition of the Board then complies with the abovementioned general criteria about the maximum number of positions held.

Operation of the Board of Directors (article 123-*bis*, paragraph 2, letter d) of the TUF)

As regards minimum frequency of Board **meetings**, article 16 of the Corporate By-Laws envisages that Board meetings be held - normally - at least on a quarterly basis and in any case whenever deemed appropriate, or when at least two Directors or one standing Auditor ask the Chairman in writing to call

a meeting, also indicating the agenda. Note that, in accordance with the provision under article 151, II C, of the TUF, as renewed by the Savings Act, the Extraordinary Shareholders' Meeting of 19 April 2007, resolved to formally approve, under article 16 of the Corporate By-Laws, the power of each member of the Board of Statutory Auditors to individually call the Board of Directors' meeting upon prior request to the Chairman of the Board itself.
In consideration of the activities relating to the launch of the Integration Process, it should be noted that, over the course of the year, the Board of Directors held a high number of meetings: in particular, in the course of 2016, the Board of Directors in office met 13 times. The participation of the Directors holding office in the meetings held in 2016 was significant; specifically, with regard to the Directors holding office on 31 December 2016, the attendance percentage was approximately 86% (the table attached to this report specifies the number of meetings attended by each Director). It should be noted that the average duration of the meetings held by the Directors holding office as at 31 December 2016 was equal to about 1.25 hours.

It should be pointed out that as at the date of this Report, the Board has, since 1 January 2017 met 3 times and that, for 2017, other 3 board meetings have already been planned, in line with the announcement made to the Market on 30 January 2017 on the occasion of the publication of the 2017 financial calendar.

It should be noted that calendar for year 2017 includes, at present, essentially the meetings of the Board of Directors concerning the approval of financial-corporate documents and the periodic financial reporting included on the financial calendar.

The Chairman of the Board of Directors strives for the information and documents necessary for the Board to take the decisions for which it is responsible to be provided to its members - where possible - in a satisfactory and timely manner. At the request, the Company's management responsible for the competent corporate functions may attend board meetings to supply any detailed information on the issues on the agenda that may be appropriate.
Pursuant to the application criterion 1.C.5, in the course of the meeting of 24 April 2013 the Board resolved to set a time limits of 3 days for a fair prior notice for the transmission of the documents to be used by the Board on an ordinary basis. In urgent cases, this prior notice may be reduced to one day.

With regard to the exceptions to the non-competition obligation (as regards the criterion 1.C.4 of the Code), note that all the Directors have declared to the Board that they do not perform any activities that compete with those of the Issuer, also undertaking to notify any significant change if this event should occur.

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Composition of the Board of Directors/Delegated bodies (Article 2 of the Code)
Within the Board of Directors currently in office the Company has appointed two different directors, the President and the Chief Executive Officer, to hold corporate positions further identifying a Vice-President entrusted with supporting functions to the Chief Executive Officer in specific areas. Pursuant to the application criterion 2.C.1, only the Chief Executive Officer – Mr. Antonio Converti – and Vice President - Mr. David Alan Eckert – may be considered Executive Directors. The other directors, who are therefore non-executive directors, are therefore such, in terms of number, authority and authoritativeness, as to assure that their opinion carries significant weight in Board decision-making; specifically, they particularly supervise areas where conflicts of interest may arise.

Please further note that in the course of 2016 there was no need to appoint a lead independent director because the Chairman was not the main person responsible for business management, nor the office of Chairman was hold by a person controlling the Company.
As regards the application criterion 2.C.2 of the Code, pursuant to which the directors are required to be aware of the duties and responsibilities inherent to the position, it should be noted that IOL "Guidelines" (as approved by the Company while adopting the regulation on market abuse, referred to above), as well as the other internal practices/rules adopted for Board of Directors' Meetings allow directors to act knowledgeably and to be acquainted with the responsibilities and duties involved in their positions.
In order to enhance knowledge of the corporate activities and dynamics, it should also be noted that the Chairman sees that Board of Directors' Meetings (i) normally envisage the attendance of the Company's CFO (who is also the Manager responsible for preparing corporate financial documents pursuant to article 154-*bis* of the TUF, referred to below), also in order to supply the necessary information support to directors requiring clarification about corporate procedures; (ii) envisage the attendance of the corporate officers directly concerned when matters of specific corporate interest are to be considered, in order to ensure that the questions for which the directors are responsible can be properly dealt with; (iii) are held, where possible, at the Company's offices, or in any case with modalities that may allow meetings to be arranged with the company's management after the Board Meeting itself, so that corporate issues may be examined in greater depth.

Finally, it should be recalled that on 24 April 2013 the Board of Directors had granted an express mandate to the Chairman to identify, in the course of the financial year, meetings and initiatives aimed at allow an adequate knowledge of the Company and of the management. To this end, in order to allow Directors to have a better understanding of the business sector in which the Company operates and of the company conditions and dynamics, on 16 December 2016 the Company held, in the course of a dedicated day, an agenda of theme meetings which provided Directors with, inter alia, the opportunity to receive an update on the activities of the sales networks and on product development in addition to the last sector legislative novelties.

For a more complete disclosure, below are listed the attributions of the Chairman and of the Chief Executive Officer, as well as information about the power delegation system.

The **Chairman** is vested with powers of corporate signature and legal representation of the Company vis-à-vis third parties and before courts. The Chairman - who is not ordinarily vested with operating powers - is ordinarily responsible for organising the board proceedings and for acting as a connection between the executive director and the non-executive directors.

The **Chief Executive Officer,** Mr. Antonio Converti, oversees the technical and administrative performance of the Company and ensures the execution of the resolutions passed by the Board of Directors; Mr. Converti is vested with powers of corporate signature and legal representation of the Company vis-à-vis third parties and before courts, as well as – in accordance with the applicable obligations laid down by the law and by the Corporate By-Laws, in terms of matters that cannot be delegated by the Board of Directors – specific powers and responsibilities aimed at ensuring the operational management of the corporate activities, within a general limit of an amount up to Euro 5 million. For some types of deeds, specific limits are envisaged.

The Chief Executive Officer has also been appointed as director in charge of the internal audit and risk management system (referred to below).

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The Company **Vice Chairman**, Mr. David Alan Eckert, is responsible – without prejudice to the powers of the Chief Executive Officer and/or Board of Directors and in addition to the powers provided for pursuant to the applicable laws and regulations – for supporting the Chief Executive Officer in defining and implementing the Company's strategic plan, as well as in relation to commercial transactions of strategic relevance.

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Independent directors (Article 3 of the Code)

The Board of Directors adopts a procedure to assess the independence of the directors, pursuant to which the Directors, after the appointment and on an annual basis, sign an appropriate declaration form (for submission to the Board of Directors and to the Chairman of the Board of Statutory Auditors), in which they certify that they meet the independence requirements under article 3 of the Code, if they in fact do so, with specific regard to the valuation criteria under the application criterion 3.C.1 of the Code.

On the basis of the information received, the Board – during the meeting of 15 March 2017 – considered whether the independence requirements as regards each of the non-executive directors were met and, accordingly, acknowledged and confirmed the independence of Directors Maria Elena Cappello, Antonia Cosenz, Cristina Finocchi Mahne and Corrado Sciolla. Note that the abovementioned Directors also meet the independence requirements under article 148, paragraph 3, of the TUF.

It should also be noted that, on the basis of the outcome of the Board's "self-appraisal" questionnaires (referred to above, with reference to the application criterion 1.C.1, letter g), of the Code), the number and qualifications of the independent directors were considered adequate. However, self-assessment questionnaires highlighted that some board members wish for a greater number of independent directors within the Board, also for the purpose of a higher diversification in the composition of internal committees.

It should be noted that on the occasion of the appointment of the Board of Directors currently in office by the Ordinary Shareholders' Meeting held on 8 October 2015, the Directors Maria Elena Cappello, Cristina Finocchi Mahne, Cristina Mollis and Corrado Sciolla declared that they meet the independence requisites provided under the combined provisions of articles 147-ter, paragraph 4 and 148, paragraph 3, of Legislative Decree 58/1998 and the Corporate Governance Code of Listed Companies, as indicated the related press release issued by the Company and available on the Company's website at www.italiaonline.it, at the address http://www.italiaonline.it/wp-content/uploads/2015/10/8102015_cospostASSEMBLEAengdef.pdf.

Similar declaration has been given by the Board Member Antonia Cosenz in respect of the co-optation by the Board of Directors on 10 November 2015, after the resignations from the office of Cristina Mollis, as by the way indicated the related press release issued by the Company and available on the Company's website at www.italiaonline.it, at the address http://www.italiaonline.it/wp-content/uploads/2015/11/10-11-2015SEATPG_COS9M2715Results_ENG_DEF.pdf.

It should be noted that, in accordance with the application criterion 3.C.5 of the Code, the Board of Statutory Auditors verified the application of the criteria and of the above procedure, adopted by the Board of Directors to assess the independence of its members.
Without prejudice to the frequency of board meetings in 2016 for the above stated reasons associated with the Seat IOL Merger, with reference to the provisions of criterion 3.C.6 of the Code - pursuant to which the independent directors must meet at least once a year in the absence of other directors – we specify that on 18 January 2017 all independent directors of the Company met to discuss a number of issues of common interest, the other directors being absent; during the meeting, in particular, the content, modalities and timings of the disclosure provided to the Board have been examined, identifying some possible improvement areas thereof. On the same occasion, as already mentioned with reference to criterion 1.C.1, lett. g) of the Code, independent directors shared the decision to confirm the questionnaire as self- assessment tool and after an in-depth analysis, which they took part in, to deem adequate the questionnaire used by the Company.

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Internal committees of the Board of Directors (Article 4 of the Code; article 123-*bis*, paragraph 2, letter d) of the TUF)

In accordance with principle 4.P.1 and criterion 4.C.1 of the Code, the Board of Directors finally established, by resolution of 8 October 2015, the following internal committees:

- the **Appointments and Remuneration Committee and**
- the **Control and Risk Committee,**

with proactive and consultative functions.
It should be noted that, in accordance with the comments on article 4, the Board, by reason of the organisational structure of the Group, as well as of the competences expressed by the designated members, has resolved that the functions referred to in articles 5 and 6 of the Corporate Governance Code must be carried out by a single Committee (Appointments and Remuneration Committee) made up of three members provided with adequate professional skills for these functions.
A chairman has been appointed for both the Committees. Duties are defined by resolution of the Board of Directors, in line with the provisions of articles 5, 6 and 7 of the Code, and may be supplemented or changed by a subsequent resolution of the Board.
Committees are entitled to access corporate information and departments as necessary for the performance of their functions.
In this regard, the Chairmen of the two Committees are also entitled to submit specific requests for resources for the Committees in consideration of specific requirements that will be reported to the Board from time to time.

Persons that are not members of a Committee, including any members of the Company's Board or structure, may attend meetings of each committee with reference to specific items on the agenda, upon invitation by the Chairman.
Minutes of meetings are always taken and the Chairman of the committee (or in case of his impediment, another member designated thereby) informs thereon on occasion of the first useful meeting.
For precise information regarding the Appointments and Remuneration Committee and the Control and Risk Committee (institution, composition, duties, work actually done during the financial year, number of meetings and members' attendance percentage), see comments to articles 5, 6 and 7 of the Code below, respectively.

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Appointment of directors - Remuneration of directors (Articles 5 and 6 of the Code)
As specified above, the Board resolved to establish a single Committee with the task of performing the duties referred to in articles 5 and 6 of the Corporate Governance Code.

In accordance with the principles 5.P.1 and 6.P.3 of the Code, the Committee in question is currently fully composed of non-executive directors, who are independent directors, in the persons of Antonia Cosenz (Chairman), Cristina Finocchi Mahne and Corrado Sciolla.
It should be noted that the chairmanship is then entrusted with an independent Director and that all the members have adequate knowledge and experience of financial issues or remuneration policies.
The Committee currently in office was appointed by the Board of Directors on 8 October 2015 and subsequently integrated after the resignations from the office of Director Cristina Mollis.
As regards the **functions referred to in article 5 of the Code**, the Committee in question performs the following duties:

- to submit opinions to the board as to the size and composition of the same, and to express recommendations as to the professionals the presence of which within the Board is deemed appropriate, as well as on the arguments referred to in criteria 1.C.3 and 1.C.4;
- to submit proposals to the Board on the candidates to the position of director in the cases of co-option where it is necessary to replace independent members.

Furthermore, with reference to criterion 5.C.2 of the Code, it should be noted that the Board did not assume any resolution as regards the adoption of a plan for the succession of executive directors.

As regards the duties performed by the Committee pursuant to principle 6.P.4 of the Code, it should be noted that the same submits proposals to the Board of Directors on the remuneration policy of directors and executives with strategic responsibilities.
Having said that, on 30 March 2017 the Board resolved upon Remuneration Policy, according to what illustrated in the Remuneration Report to which reference is made.

On 8 October 2015, in accordance with the criterion 6.C.5 of the Code, such Committee was assigned by the Board of Directors the task of:
- periodically assessing the adequacy, the overall consistency and the actual application of the policy for the remuneration of directors and of the executives with strategic responsibilities, with regard to the latter, it will make use of the information provided by Chief Executive Officers; submitting proposals to the board of directors concerning this issue;
- submitting proposals or giving opinions to the board of directors concerning the executive directors' remuneration and that of other directors holding particular positions, as well as the performance targets correlated to the variable component of such remuneration; monitoring application of the decisions adopted by the board itself, specifically verifying the actual achievement of the performance targets.

Unless expressly invited to provide supporting information, no director takes part in Committee meetings in which proposals regarding his/her emoluments are submitted to the Board of Directors (criterion 6.C.6 of the Code). Furthermore, should the Committee intend to make use of services rendered by a consultant in order to obtain information on market practices concerning remuneration

policies, the Committee will preliminarily verify that he/she is not in a situation which could compromise his/her independence of opinion.
Finally, in accordance with the "comment" on the article 6 of the Code, it should be noted that the Appointments and Remuneration Committee

- is supported, in performing its duties, by the competent corporate departments;
- provides for the participation of the Chairman of the Board of Statutory Auditors or of any other Statutory Auditor appointed by the latter in its own meetings, in which any other statutory auditors may also participate.

Remuneration policy

Pursuant to principle 6.P.4 and criterion 6.C.1, please note that the remuneration policy for the Chief Executive Officer and managers with IOL strategic responsibilities, as defined by the Board of Directors upon proposal of the Appointment and Remuneration Committee, can be divided in some main components:

- a fixed remuneration linked to the type / relevance of the office held;
- a variable remuneration comprised of:
    - a Short term incentive: MBO linked to economic, financial and functional annual targets
    - a Long Term Incentive which, subsequent to the shareholders' meeting resolution of 8 March 2016 e after the intervened effectiveness of the Seat IOL Merger, is represented by the Stock Option Plan; please note that the latter represents an instrument to align the long-term interests of the management and those of shareholders, and is structured in two 2 tranches:
        - 2014 – 2016 Plan (former IOL Plan)
        - 2016 – 2108 Plan
- corporate benefits such as health, life and accident insurance, supplementary pension scheme, company car, cell phone and IT devices;
- indemnities linked to the activity carried out, where appropriate;
- the Company may further provide, for some managers with strategic responsibilities, for the possibility to enter into protection tools and agreements against competition risk as well of indemnity forms for the termination of the employment relation subject to pre-set determination rules, in any case never exceeding the maximum amounts provided for by the national "collective" agreement.

The remuneration components address different needs and are structured as follows:

A) the fixed component and the variable component are adequately balanced depending on the strategic targets and the management policy of the Company, the organisational relevance and type of role, also taken account of the business sector in which it operates, of the features of the activity actually carried out and of the market practices.
B) in terms of economic weighting balancing of the various elements, in case of achievement of the targets set, the annual bonus that can be paid at 100% target (MBO) is basically as follows:
    a. for the Chief Executive Officer at 37% of the overall remuneration package that takes account of fixed remuneration, remuneration as board member, short-term incentive and estimate of the Stock Option Plan annual value;
    b. for the other Managers with Strategic Responsibilities on average 32% of the overall remuneration that takes account of fixed remuneration, short-term variable component and the estimate of the Stock Option Plan annual value; the percentage is linked to the organisational relevance and nature of the office held.

The annual bonus is capped at a maximum of 150% of the value at target.
In aggregate, the economic impact of the bonus compared to the fixed remuneration has the result that the relating cost for the Company is sufficiently variable, allowing for a good risk hedging, in case of business performance below expectations.

C) the fixed remuneration guarantees an adequate and certain base remuneration for the service rendered also in case of failed payment of the variable component due to the failed achievement of the performance targets assigned.
D) the annual bonus aims at the achievement of annual results for the Company and the Group. The logics and features of the MBO system, together with the main principles for the achievement of the bonus, are submitted to the Appointment and Remuneration Committee and approved by the Board of Directors. The Board of Directors of the Company, upon proposal of the Appointment and Remuneration Committee and with the support of the Human Resources Department, defines the remuneration policy of the Chief Executive Officer and of managers with strategic responsibilities.
E) the short-term variable bonus (MBO) does not provide for deferral forms.
F) clawback mechanisms of bonuses paid are provided for.
G) no indemnity payment for early cessation of relationship is provided for in favour of directors.

The Stock Option Plan rewards the achievement of key medium-term business targets:

a. provides for a 36-month option vesting period from grant date;
b. the vesting of option rights is triggered by the achievement of a minimum threshold of 85% of the cumulative ebitda for the reference period
c. furthermore, the 2016 – 2018 Stock Option Plan provides for:
    i. in respect of Managers with Strategic Responsibilities, a 24-month lock up clause from the subscription and/or purchase date, for a portion equal to 25% of the shares; for Managers with Strategic Responsibilities who also are Executive Directors, the time limit is extended until the end of the mandate, where later;
    ii. a claw back clause within 5 years of the vesting date.

It should be noted that during 2016 the Committee met [4] times (for an average of about 1 hour and 45 minutes) during which it essentially did the following:

- approved, conditional upon the effectiveness of the Seat IOL Merger, the adoption of the 2014-2018 Stock Option Plan;
- assessed the achievement level of the performance targets provided as basis for the MBO 2015 sheet and the finalization of the target sheet 2015 for the Chief Executive Officer;
- assessed, considering them adequate, the size, composition and functioning of the Board of Directors and its internal committees;
- examined the consistency among responsibilities, remunerations of internal committees and limits in respect of the maximum number of offices as director, also in line with the provisions of the Code, proposing to differentiate the remuneration awarded to the different committees set up within the Board;
- acknowledged the actual application of the 2015 remuneration policy and, in line with what provided for by criterion 6.C.5 of the Corporate Governance Code, [positively] assessed the adequacy, overall consistency and actual application of the remuneration policy for directors and managers with strategic responsibilities;

- examined, expressing a recommendation to the Board of Directors in respect of the remuneration package to be awarded to Mr. Converti subject to and effective as of the effectiveness of the Seat IOL Merger and for the entire period in which the same will hold the office as Chief Executive Officer;
- acknowledged the guidelines of the MBO 2016 plan of the company resulting from the Seat IOL Merger and proposed to the Board the MBO 2016 target sheet of the Chief Executive Officer;
- proposed to the Board of Directors the adoption of the remuneration policy of the Company resulting from the Seat IOL Merger;
- expressed a proposal to the Board of Directors in respect of the list of possible managers to benefit from the B tranche of the 2014 - 2018 Stock Option Plan and the number of options to be granted to beneficiary managers.

The percentage of attendance at the Committee's meetings referred to each member is reported in the special table attached hereto.
For the purposes of the comments on article 6 of the Code, pursuant to which, inter alia, the shareholders must be notified of the methods to perform the duties of the Committee, it should be noted that said disclosure may be derived from what set out in the Remuneration Report made available to shareholders prior to the Shareholders' Meeting of 27 April 2016, which was in any case attended by a member of the Appointments and Remuneration Committee also for the purpose of providing shareholders with possibly requested information.
Since 1 January 2017 and until the date of approval of this Report, the Committee met twice.

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It should be noted that the incentive mechanisms of the Manager responsible for preparing corporate financial documents are consistent with the duties allocated (criterion 6.C.3). As regards the Head of the Internal Audit Function, reference is made to the information reported in this regard in the paragraph relating to article 7 of the Code.

Directors' remuneration
Directors are entitled to receive - besides reimbursement of expenses incurred in performing their functions - annual remuneration of an amount established by the Shareholders' Meeting of 8 October 2015. It should be noted that, pursuant to article 2389, paragraph 3, of the Italian Civil Code, the Board of Directors then decides upon remuneration for directors holding particular positions, after having received the Board of Statutory Auditors' opinion.
Non-executive directors (whose remuneration is proportioned to their commitment, also taking account of their participation in the Committees' meetings) are not the beneficiaries of share incentive schemes.
The Vice President's remuneration – in his supporting role to the Chief Executive Officer as represented above - is fixed, whereas that of the Chief Executive Officer is to a large extent variable.
Please note that no specific remuneration has been granted for the role of President.
Finally, it should be noted that top management's remuneration features a variable component dependent on results achieved in the managers' respective sectors and on individual targets.

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Committee of Independent Directors
It should be noted that, in implementation of Consob Related-Party Regulation the Board of Directors' meeting held on 8 October 2015 resolved to assign to the Control and Risk Committee (referred to below) the functions of the Independent Directors Committee pursuant to and for the purposes of the provisions laid down in the aforesaid Regulation.

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Internal Audit system and Risk Management system (Article 7 of the Code)
1) Control and Risk Committee
The Control and Risk Committee, which was finally appointed by the Board meeting held after the shareholders' meeting on 8 October 2015, is made up of the Directors Cristina Finocchi Mahne (Chairman), Maria Elena Cappello and Antonia Cosenz[4].
The Committee is comprised of independent Directors, adequately experienced in accounting and financial issues or risk management (in accordance with principle 7.P.4 of the Code).

Meetings are usually attended by the Chairman of the Board of Statutory Auditors or another auditor, the Committee Secretary and the Head of the Internal Audit and Compliance Department, in addition to the members of the Committee.
Furthermore, depending on the items on the agenda, meetings may also be attended, upon invitation by the Committee, by the Chief Executive Officer, also acting as Director in charge of the internal audit system, as well as by the representatives of the Independent Auditors and the Company's management.

During the aforesaid meeting of 8 October 2015, the Board of Directors resolved to confer on the Committee the tasks described in criterion 7.C.2 of the Code[5].

The Regulations of the Committee contain, coherently with the indications of the Code, the rules for the appointment, composition and functioning of the Committee itself. Specifically, pursuant to the Regulations, as most recently approved on 18 December 2012 and in accordance with the abovementioned criterion 7.C.2, the Committee:

1. verifies having heard the manager responsible for preparing corporate financial documents, the independent auditor and the Board of Statutory Auditors, the correct use of the accounting standards applied and, in the case of groups, their consistency for the purposes of the preparation of the consolidated financial statements;
2. expresses opinions on specific aspects concerning the identification of the main business risks;
3. examines interim reports concerning the assessment of the internal audit and risk management system, and those of particular importance prepared by the internal audit function;
4. monitors the independence, adequacy, effectiveness and efficiency of the internal audit function;

[4] Please note that the Company Ordinary Shareholders' Meeting, held on 8 March 2016, resolved to appoint as a member of the Board of Directors of the Company Antonia Cosenz – already co-opted on 10 November 2015 to replace Cristina Mollis who resigned on 6 November 2015 – who will remain in office until the expiry of the current board, namely until the date of the Shareholders' Meeting called to approve the financial statements that will close on 31 December 2017. The Board of Directors which met after the conclusion of the Shareholders' Meeting works resolved to confirm, having verified that independence requirements were met, Antonia Cosenz as a member of the Control and Risk Committee. As a consequence, the Control and Risk Committee is comprised of Directors Cristina Finocchi Mahne (Chairman), Maria Elena Cappello and Antonia Cosenz

[5] As previously reported, the Board, in consideration of the fact that all members of the Audit and Risks Committee meet the independence requirements provided for, also resolved to assign to the same committee the functions of Independent Directors Committee pursuant to and for the purposes of the provisions laid down in Consob Related-Party Regulation.

5. may ask the internal audit function to carry out checks on specific operating areas, giving notice thereof to the chairman of the board of statutory auditors;
6. reports to the Board, at least on a six-monthly basis, on the occasion of the approval of the annual and half-year financial report, on the work carried out, as well as on the suitability of the internal audit and risk management system;
7. supports, with an adequate investigation activity, the assessments and decisions of the board of directors in relation to the management of risks deriving from prejudicial facts which came to the knowledge of the board of directors.

In performing the functions entrusted thereto, the Committee is supported by the competent internal functions, among which, in particular, the "Internal Audit & Compliance" Department, as well as external persons, whose professionalism might be necessary from time to time.

The Control and Risk Committee met 17 times in 2016 (the average duration of the meetings was equal to about 3 hours) and [4] times since 1 January 2017 and up to the date of approval of this Report. During meetings held in 2016, the Committee performed, *inter alia*, the following activities:

- monitored the development of the organisational and operational structure of the Internal Audit and Compliance Department;
- expressed its favourable opinion – in the entrusted role as Independent Directors Committee – as regards the Merger by incorporation transaction of Italiaonline S.p.A. into Seat Pagine Gialle S.p.A. and in accordance with the RPT Procedure, as regards the existence of a Company interest in entering into the Merger, based on the terms illustrated by the management in the draft Merger plan, as well as on the convenience and substantial fairness of the Merger terms and conditions;
- examined and assessed the progress of the activities envisaged in the audit programme prepared by the Internal Audit and Compliance Department for 2015 and the findings of the interventions conducted;
- met with the Manager responsible for preparing corporate financial documents, the top management of the Administration, Finance and Control department, the Board of Statutory Auditors and the representatives of the Independent Auditors in order to examine the main features of the annual Financial Statements as at 31 December 2015, the correct use of the accounting standards and their uniformity for the purposes of preparing the consolidated financial statements;
- examined the "document describing the organisational, administrative and accounting structure" prepared by the competent corporate functions in order to contribute to the assessment of the Company's corporate governance system, of the Group's structure and of the organisational, administrative and accounting structure of Seat pursuant to criterion 1.C.1 of the Code;
- met with the representatives of the Independent Auditors to examine the outcome of the audit work done;
- examined the method adopted in the performance of the impairment test, which are already being examined by the Independent Auditors;
- examined the outcomes of the Enterprise Risk Management (ERM) process aimed at defining an integrated approach to the identification, assessment, management and monitoring of business risks;
- expressed opinions on occasion of "minor transactions", pursuant to the RPT Procedure;
- expressed its opinion, to the extent of its competence, on the appointment of Mr. Angelo Jannone as Head of the Internal Audit Department in replacement of Mr. Francesco Nigri;
- met the Manager responsible for preparing corporate financial documents, top managers of the Administration, Finance and Control Department, the Board of Statutory Auditors and the External

Audit Firm, to review the essential features of the semi-annual report as at 30 June 2016 and the proper use of the accounting principles adopted;

- monitored with particular attention and in-depth level – promoting remedial actions - a number of issues related to weaknesses in the processes aimed at ascertaining and recording items of income relating to the sale of digital advertising services of the Incorporated Company Italiaonline - brought to the attention of the Internal Audit Department and emerged as a consequence of the implementation of the integration activities between Italiaonline S.p.A. and Seat Pagine Gialle S.p.A. The further in-depth analyses shared with the Company's Management and conducted with the support of external advisors, allowed to identify non-material errors and to transpose in the income statement of the nine-month period closed as at 30 September 2016 prepaid expenses for a revenue deferral equal to around 0.7% of the revenues for the reference period and to around 0.5% of expected revenues on an annual basis. In this context, the Company launched a project aimed at overcoming the above, taking also into account the future adoption of the accounting standard IFRS 15.

The Committee has, inter alia, provided a preliminary opinion to the Board of Directors for the performance of the duties entrusted to it in accordance with criterion 7.C.1 of the Code (referred to in paragraph 2.1 below).

The percentage of attendance at the Committee's meetings held in 2016 is illustrated in the special Table attached hereto.

2) Internal Audit System

Pursuant to principle 7.P.1. of the Code, it should be noted that the Company is provided with an internal audit and risk management system aimed at allowing the identification, measurement, management and monitoring of the main risks; this system is integrated into the more general organisational and corporate governance structures and takes due account of the reference models and best practices applied at a national and international level.

As specified in principle 7.P.3. of the Code, the internal audit system involves the Control and Risk Committee referred to above, i) the Board of Directors, ii) the Director in charge of the internal audit and risk management system, iii) the Head of the Internal Audit and Compliance Department, iv) the Board of Statutory Auditors, as well as v) other specific corporate roles. The Company establishes the methods to coordinate these persons by holding special collective meetings that provide for the participation of the various supervisory bodies and functions (Control and Risk Committee, Board of Statutory Auditors, Supervisory Body, External independent auditor, Manager Responsible and Head of the Internal Audit and Compliance Department).

The Company has sought to disseminate a culture at all levels of its business which is fully aware of the existence and usefulness of checks and controls. The Company's Ethics Code imposes responsibility on all for creating and maintaining an internal audit system which is effective throughout the organisational structure. As a consequence, all staff, in the context of their specific activities, have responsibility for the correct functioning of the audit system.

2.1.) Board of directors

The Board of Directors carries out activities of direction and assessment of the suitability of the internal audit system.

Pursuant to criterion 7.C.1. of the Code, the Board, subject to the preliminary opinion of the Control and Risk Committee:

- defines the guidelines of the internal audit and risk management system;

- pursuant to criterion 7.C.1., letter b), of the Code, has assessed the suitability of the internal audit and risk management system with respect to the features of the Company and the risk profile assumed, as well as its efficacy: such evaluation was conducted after the Board carried out its review of the adequacy of both the Company's corporate governance system and of the Group's structure, and the organisational, administrative and accounting structure of the Company without prejudice of the initiatives suggested by the Control and Risks Committee (see the paragraph above concerning the "role of the Board of Directors", reference is made to article 1 of the Code); pursuant to criterion 7.C.1., letter d), of the Code, it has resolved that it considers the Company's internal audit system to be adequate, efficient and effective;
- assesses, after having heard the Board of Statutory Auditors, the results reported by the Independent Auditors in the letter of suggestions (if any) and in the report on the basic issues that arose at the time of the statutory audit of accounts;
- approves the work plan of the Internal Audit Function, after having heard the Board of Statutory Auditors and the Director in charge of the internal audit and risk management system.

Specifically, it should be noted that the Board examines, on an annual basis, the results of the ERM process (Enterprise Risk Management, referred to in Paragraphs 2.4.1.and 2.4.2 below), aimed at the identification, self-assessment and monitoring of the main risks to which the Company is exposed, based on the Annual Audit Plan.
Furthermore, the Board, upon a proposal by the Director in charge of the internal audit system, having heard the Board of Statutory Auditors, and subject to the prior favourable opinion of the Control and Risk Committee, appoints and dismisses the Head of the Internal Audit Function, ensuring that the same is provided with adequate resources to perform his duties and defining his remuneration consistently with the company's policies (referred to below).

2.2.) Director in charge of the internal audit and risk management system
In accordance with criterion 7.C.4. of the Code, on 8 October 2015 **the Chief Executive Officer** was identified by the Board of Directors as the Director in charge of the internal audit and risk management system. Accordingly, the following functions were assigned to him:
- ensuring that the main business risks have been identified, taking account of the characteristics of the activities carried out by the issuer and its subsidiaries, submitting them for consideration by the board of directors on a periodical basis;
- executing the guidelines defined by the board of directors, taking care of the design, implementation and management of the internal audit and risk management system and constantly assessing its adequacy and efficacy;
- being responsible for adapting the system to the dynamics of the operational conditions and the legislative and regulatory framework;
- requesting the Internal Audit Function to carry out checks on specific operating areas and on the compliance with internal rules and procedures in the performance of corporate transactions, giving notice thereof to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- promptly reporting to the Control and Risk Committee (or to the Board of Directors) as to problems and critical issues that arise in the performance of his activity or which he is become aware of, so that the Committee (or the Board) may take the appropriate initiatives.

2.3.) Head of the Internal Audit & Compliance Department
The Company makes use of the Internal Audit and Compliance Department.

Said Department is structured to verify and ensure the adequacy in terms of effectiveness and efficiency of the Internal Audit System and ascertain whether the system provides for reasonable guarantees in order to be able to effectively and efficiently achieve the objectives set.

In the course of the meeting of 7 June 2016, the Board of Directors, upon proposal of the Director in charge of the internal audit and risk management system, having acknowledged the favourable opinion expressed by the Control and Risk Committee and having heard the Board of Statutory Auditors, resolved (i) to appoint Angelo Jannone as new head of the Internal Audit Department in replacement of Francesco Nigri starting from 1 July 2016; (ii) to acknowledge that the Head of Internal Audit so appointed is not responsible for any operating unit and hierarchically reports to the Board of Directors; (iii) to ensure that the head of the Internal Audit Department is provided with adequate resources to perform his duties; (iv) to entrust the Head of the Internal Audit Department with the duties provided for by criterion 7.C.5 of the Code.

The Head of the Internal Audit and Compliance Department is appointed to verify that the internal audit and risk management system is responsive and adequate. Furthermore, in accordance with criterion 7.C.5. of the Code:

a) he verifies, both on an ongoing basis and in relation to specific needs and in accordance with international standards, the operations and suitability of the internal audit and risk management system, through an audit plan, approved by the Board of Directors, based on a structured process of analysis and assessment of the main risks;

b) he is not responsible for any operating unit and hierarchically depends on the Board of Directors;

c) he has direct access to all information deemed useful for the performance of his/her duties;

d) he prepares interim reports containing adequate information on his/her activity, the manner in which risk management is carried out, as well as on compliance with the plans drawn up to deal with risks; interim reports contain an assessment of the suitability of the internal audit and risk management system;

e) he promptly prepares reports on events of particular importance;

f) he transmits the reports referred to in points d) and e) to the chairmen of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as the Director in charge of the internal audit and risk management system;

g) he verifies, within the audit plan, the reliability of the IT system, including accounting recognition systems.

In order to perform his duties, the Head of the Internal Audit and Compliance Department has access to all the information he/she deems useful, has the appropriate means for the fulfilment of the functions that have been assigned to him/her and acts in accordance with the action plan defined on the basis of risk-based methods and approved by the Control and Risk Committee. The action plan mainly includes activities deriving from the Risk Assessment process, connected to the compliance with Legislative Decree 231/2001, compliance with Law no. 262/2005, compliance with Legislative Decree 196/03 and the EU Regulation, in the matter of processing and protection of personal data, verifications on specific processes, verifications carried out after events have been reported by the management and employees

and monitoring the effective implementation of the recommendations made on the occasion of previous actions (follow-up).

During 2016, the Head of the Internal Audit and Compliance Department:
- carried out the checks set out in the action plan established for the financial year;
- periodically reported to the Director in charge of the internal audit and risk management system as to the outcomes of the actions taken;
- promptly reported to the Chairmen of the Board of Directors, Board of Statutory Auditors and Control and Risk Committee, besides the Director in charge of the internal audit system, on the most relevant cases;
- attended all meetings of the Control and Risk Committee, illustrating the results of the actions taken.

2.4.) Main features of the risk management and internal audit system in relation to the financial reporting process (pursuant to article 123-*bis*, paragraph 2, letter b) of the TUF)

2.4.1.) Preamble

The Company has been developing an Enterprise Risk Management (ERM) process aimed at identifying, assessing and monitoring the main business risks.
The ERM process is a process implemented by the management in order:
- to identify any events which could affect the achievement of the objectives the company has set, assessing their risk and establishing their acceptable level;
- to provide the Board of Directors and the Management with the information required to define operational and organisational strategies for the company;
- to provide reasonable confidence that the processes and the main checks identified are effective and aimed at ensuring the achievement of the company objectives.

For this purpose, a dedicated web-based application is used for the collection, management and consolidation of information. Consistently with the international best practise, and specifically with the CO.S.O. Model[5], the risks identified and to which the Company is exposed, are classified under four macro-categories: strategic, operational, financial (reporting) and compliance risks.
The process, which is coordinated by the Internal Audit function, is conducted annually and, using a risk self-assessment exercise by the various company functions, has the objective to identify the key activities and checks that are suitable to reduce the occurrence of the identified risks and/or to mitigate their impact. On the basis of a calculation algorithm, which considers the initial assessment of the risk and the effectiveness of the audit system in place, each risk is attributed a "residual score rating". On an annual basis, the risks identified which show a high residual score rating are reported to the Director in charge of the internal audit system, the Control and Risk Committee, the Board of Statutory Auditors and the Board of Directors.
A review of the risk portfolio, under a logic of integrated classification, i.e. by re-classifying events at risk, in one or more macro risk categories, according to the new CoSO-Erm standard (compliance, strategic, operational, transparency of accounting and financial statement data) and adding sustainability among risk classification parameters (in light of Legislative Decree 254/2016) and fraud risk, has been planned for 2017.

[5] Acronym for *Committee of Sponsoring Organizations of the Treadway Commission*, it is a standard born in 1984 and reviewed in its latest version in May 2013 and constitutes the set of internationally recognised Best Practices used for the management of Internal Controls and Corporate Governance.

2.4.2.) Description of the main features of the risk management and internal audit system in relation to the financial reporting process.

The risk management and internal audit system, in respect of the financial disclosure process, is based on 3 traditional control levels:

- the first level (line controls) is entrusted to the management within the respective delegations and powers and through the validation of administrative accounting data, control over the underlying documents and segregation of roles in the different activities, both in terms of accounting rules, and on administrative-accounting systems;
- the second control level comprised of a series of management activities of homogeneous types of risks that the Company, with a view of simplification and in light of its size, deemed to govern with specific organizational solutions, in accordance with the standards and best practices. In particular, it was decided: i) to entrust the compliance «231» function in the matter of civil liability of Entities from Crimes, compliance «262» in the matter of savings protection and compliance with Legislative Decree 196/03, in the matter of Privacy, to the same Internal Audit Department, accordingly renamed Internal Audit & Compliance Department; ii) to entrust said Department with the management and coordination of the Erm process (see below) in support of audit activities; said solutions, besides making the control system more effective, (guaranteeing assurance also on compliance risks and integrating the risk monitoring system as key implementation tool of Audit plans) are compliant with the new standard 1112 of the Internal Audit Profession, issued by the International Internal Audit Institute, which provides for the possibility to entrust additional roles to the head of the function; iii) to entrust the management control, in line with the solutions adopted by the majority of listed companies, to the Administration, Finance and Control Department, to better support the activity of the Manager Responsible with second level controls; iv) in the matter of IT security risk management, to assign to the IT security function, besides a hierarchical report to the IT Department, a functional dependence of the Internal Audit & Compliance Department.
- the third control level entrusted to the Internal Audit & Compliance Department through the execution of the annual Audit Plan which, based on the risk scoring also deriving from the ERM process, conducts third level audits over corporate processes with assurance purposes of the adequacy of controls compared to the relating risks.

In particular, with reference to financial and reporting risks identified within the ERM process, the Company has for some years now identified a sequence of specific activities which are deemed to be suitable to ensure that financial disclosure is reliable, accurate, trustworthy and up to date as required by Law no. 262/05. These activities include, *inter alia*:

- definition of the "scope", that is the quantitative analysis of the significance of the companies included in the scope of consolidation. This analysis is conducted on the occasion of material changes in the Group's structure or possibly in the relevant business of each subsidiary if with relevant impact on the consolidated financial statement. On the basis of the scoping process, namely a materiality assessment, it was determined that, to date, in quantitative terms as indicated by the Board the other subsidiaries are not of significant size in quantitative terms (see, in this regard, the information reported above with regard to the assessment by the Board of the adequacy of the general organisational, administrative and accounting structure – article 1 of the Code). However, specific controls are carried out over the Digital Local Services (DLS), subsidiaries carrying out commercial coordination over agents, but with limitation to intercompany relations, not being companies with an autonomous active and passive cycle to the external market;
- identification of the significant corporate processes and of the risks arising from the possible failure to achieve audit objectives. This activity entails the quantitative and qualitative analysis

of current processes and the consequential identification of those considered to be the most sensitive;

- assessment of controls. Significant corporate processes identified in the previous phase are subject to a specific analysis activity through the preparation and/or updating of the accounting and administrative procedure and in particular of the flowchart and *narrative*, namely the identification of the process flow and description of the specific activities, and of the audit matrix. The latter identifies key controls and features of the same: type (automatic or manual), how often it is conducted, the person responsible for the process activity and the person responsible for first level control;
- performance of tests on the key controls identified in order to check for compliance with the statements of preparation of the Financial Statements (Completeness, Existence, Rights & obligations, Valuation, Recognition, Presentation, Disclosures). Said activity takes into account the control execution modalities, breaking down between manual controls, automatic controls at application systems level and general controls of IT structures as well as the frequency of said controls;
- identification of possible improvements to the current internal audit and risk management system in order to ensure an increased monitoring of the areas and processes which are considered relevant in terms of impact on the financial disclosures.

Even the aforementioned activities are carried out by the Internal Audit and Compliance Department on the basis of an action plan defined on an annual basis in agreement with the Chief Financial Officer/Manager Responsible. The results and the improvement actions (if any) identified are submitted to the same Manager Responsible for preparing corporate financial documents, the Control and Risk Committee and the Board of Statutory Auditors.

By the way, in December 2016, specifically with a view of enhancing the internal control system, the Company intervened on the organisational structure:

- by bringing back under the responsibility of a new and single Head of Administration, Finance and Control/Manager Responsible not only Finance and Administration functions but also the Merger & Acquisition and management control functions, intended as second level control over the correctness of administrative accounting processes;
- by broadening the responsibility perimeter of the Head of Internal Audit also to some key compliance safeguards such as those referred to Law 262/05, Legislative Decree 231/01 and Legislative Decree 196/03 and accordingly renaming the Department as Audit & Compliance Department.

In addition to the Audit Plan, submitted to the prior assessment of the Control and Risk Committee and the Board of Statutory Auditors and to the approval of the Board of Directors, the Internal Audit Function, where required, carries out further third level verifications, aimed at assessing the adequacy of the risk management and internal audit system in place – as regards administrative and accounting procedures - on the basis of the instructions given by the supervisory bodies and by the Company's management.

Finally, as regards the review of the Company's documents pursuant to Legislative Decree 231/2001 after the Seat/Italiaonline Merger and the expected adoption of the whistleblowing system, reference is made to paragraph 2.5) below.

2.5.) Organisation, management and control model pursuant to Legislative Decree no. 231/2001 - Supervisory Body

Both Companies that participated in the merger process (IOL and Seat PG) had pre-existing autonomous Organisational models «231» in line with principles, guidance and best practices connected to Legislative Decree 231/01.
They were Models set up on the basis of the pre-merger respective corporate process.

In light of the above, on 16 December 2016 after the Seat IOL Merger, moving on with the integration process that also concerns the review of processes and procedures suitable to prevent the crime types provided for by Legislative Decree 231/2001, the Board of Directors of Italiaonline approved the new Group Code of Ethics and the new "Group Guidelines for the implementation of the Management, Organisation and Control Model", in the matter of administrative liability of Entities for crimes committed by top executives and by those subject to their direction or supervision.

Both documents have a two-sided relevance since, on one side they illustrate the procedures and controls system requested by the Board of Directors, aimed at reducing the risk of commission of the crimes provided for by the special legislation, on the other side they provide a series of behavioural indications and prohibitions aiming at an ethical management of business, compliance with all regulations governing its functioning and, last but not least, at the effectiveness and efficiency of all corporate activities, in the interest of stakeholders. Specific attention is dedicated to the client orientation, corruption prevention, gender equality, protection of workers as well as their health and safety and to transparency.

For the purpose of an organic approach, the Guidelines, as master document of the Organisational Model 231, have been drawn up following the scheme of the same Decree and taking into account 2014 Confindustria indications, case law and doctrinal orientations, but also anticipating new instruments to encourage reporting, such as the section dedicated to the protection of the reporting person (so called whistleblowing system) in line with the indications of the Corporate Governance Code of listed companies and with the evolution of the law.

In support also of the Supervisory Body, in addition to the Supervisory Bodies of subsidiaries, the establishment of an Ethical Committee, comprised of the heads of the Internal Audit & Compliance, Human Resources and Legal and Corporate Affairs Departments, which will be able to better ensure a multidisciplinary overview of the issues examined, has further been provided for.

A special section dedicated to this subject can be consulted on the Company website at the following address www.italiaonline.it.

The Supervisory Body (pursuant to Legislative Decree no. 231/2001).
The Supervisory Body pursuant to Legislative Decree no. 231/2001 is comprised of Alberto Mittone (Attorney, with the role as Chairman), Angelo Jannone (Head of the Internal Audit and Compliance Department) and Francesco Nigri (Auditor); please in any case note that Francesco Nigri resigned from his office with effect from 31 March 2017. Please note that Angelo Jannone has been appointed as a member of the Supervisory Body by the Board of Directors which met on 4 August 2016 (after the resignations from the office of Michaela Castelli effective as of 8 October 2015.

The current Supervisory Body will expire with the Shareholders' Meeting that will be called to approve the financial statement as at 31 December 2016.

This approach followed for this composition results suitable to assure consistency with the guidance contained in the Accompanying Report of Legislative Decree no. 231/2001, endowing the Committee with the requisites of autonomy, independence, professionalism and continuity of action needed to perform the necessary activity efficiently. The Board has resolved that the Supervisory Body meetings shall always be attended by a member of the supervisory body envisaged by the Corporate By-Laws.

The Supervisory Body is assigned the following tasks:

- overseeing the effectiveness of the Model, in order to guarantee that the lines of conduct adopted in the company comply with the established Organisation, management and control Model;
- monitoring the effectiveness of the Model, in order to assess its appropriateness in preventing the occurrence of the envisaged crimes;
- managing updates to the Model, in order to propose appropriate adjustments following environmental and/or organisational changes in the company.

For purposes of performing the above activities, the Supervisory Body avails itself of the Internal Audit & Compliance Department.
In carrying out the assigned tasks, the Supervisory Body has unlimited access to company information for the activities of investigation, analysis and control. Upon requests from the Supervisory Body or upon the occurrence of events or circumstances that are significant for purposes of the performance of the Supervisory Body's activities, all of the company's functions, employees and/or members of the corporate bodies are under a duty to provide information in such regard.

The Supervisory Body met four times in 2016 and, as of the date of this Report, once since 1 January 2017.

In 2016, the Supervisory Body:

- fostered the adjustment of the Organization, Management and Control Model to the changed corporate and business organization consequent to the Merger transaction;
- continued its ordinary oversight activities. In particular it assessed and examined the update activities of the documents pursuant to Legislative Decree 231/2001 after the completion of the Seat/Italiaonline Merger transaction , which – as mentioned above – led to the approval by the Board of directors of the New Code of Ethics and the "Group Guidelines for the implementation of the Organization, Management and Control Model".

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Manager Responsible for preparing corporate financial documents (pursuant to article 154-bis of the TUF)

In accordance with the provisions under article 154-*bis* of Legislative Decree no. 58/98, introduced by the so-called "Savings Act", the Extraordinary Shareholders' Meeting of the Company held on 19 April 2007 resolved to amend article 19 of the Corporate By-Laws, providing for the Board of Directors (subject to the mandatory opinion of the Board of Statutory Auditors) to be granted the power to appoint and dismiss the Manager responsible for preparing corporate financial documents (hereinafter also referred to as the "Manager Responsible") determining his/her term of office. Only persons with at least three years of experience in a position of appropriate responsibility in the

administrative and/or financial area of the Company or of another company of comparable size or organisational structure may be appointed as Manager responsible for preparing corporate financial documents.
During the Board meeting held on 24 April 2015, Andrea Servo (who was also in charge of the Company Finance and Administration Department) had been appointed as Manager Responsible, since the position held by him fully met the technical and professional requirements laid down by article 154-*bis* no. 3 of the TUF and article 19 of the Corporate By-Laws. The Board of Statutory Auditors had given its favourable opinion as to this proposed appointment. The term of his office had been set until the Shareholders' Meeting called to approve the financial statements as at 31 December 2016. After a consensual termination of the employment relation, Andrea Servo concluded his mandate with the Company on 31 December 2016.
Accordingly, the Board of Directors of the Issuer, on 12 January 2017, resolved, subject to the prior opinion of the Board of Statutory Auditors, to appoint Gabriella Fabotti – who in the meantime had undertaken since 1 January 2017 the role as head of the Finance, Administration and Control Department of the Company – as Manager Responsible. The term of this office has been determined until the Shareholders' Meeting which will be called to approve the financial statements as at 31 December 2017.
The Board also resolved that the Manager responsible for preparing corporate financial documents should exercise the powers and have the means at his disposal that are necessary for the effective performance of the duties referred to in the abovementioned article 154-*bis* of Legislative Decree no. 58/98. The Manager Responsible reports to the Board at least every six months on the manner in which the management and control activity is carried out with regard to the process of preparing the accounting documents, on any criticalities found during the relevant period and on the adequacy of the structure and means put at his disposal.
As it is known, the position of the Manager Responsible takes on a fundamental role in the light of the strengthening of the Company's internal audit system, attributing express importance to the internal process of preparing the draft of the annual report in particular, and to the main information documents concerning the Company's financial position in general.

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Directors' interests and related-party transactions

It should be noted that the Company has adopted an appropriate procedure governing the performance of disclosure obligations under the abovementioned article 16 of the Corporate By-Laws and article 150, paragraph 1, of the TUF, whose purpose is to ensure transparency, not only as regards related-party transactions in which an interest is held, either on its own account or on behalf of third parties, or which are influenced by the person that performs the activity of direction and coordination (including inter-group transactions), but also as regards all transactions that have been conducted, the most important transactions in business, financial and capital terms undertaken by the Company and atypical or unusual transactions.
The Procedure is in any event effective in drawing attention to situations in which a director may have an interest on his/her own account or on behalf of third parties. As regards this aspect, it should also be noted that it is the Company's practice to circulate the documents regarding the items on the agenda before board meetings so that the Directors are fully informed before taking decisions. One of the purposes of this is in fact to preliminarily allow to see whether there are any transactions in which a Director has an interest (see the document available on the Company's website at the address

http://www.italiaonline.it/en/governance/corporate-documentation/procedure-for-compliance-with-obligations-pursuant-to-art-150/.

As regards the aforementioned RPT Procedure which regulates the procedural regime which must be followed by the Company on the occasion of the implementation, either directly or through subsidiaries, of Related-Party Transactions, please note that the Company, in application of CONSOB communication no. DEM/10078683 of 24 September 2010 requiring Companies to "…*assess, at least on a three-year basis, whether to proceed with a procedures review taking account, inter alia, of the amendments possibly intervened in the ownership structure as well as of the effectiveness shown by the procedures in the application practice …*" ("**Consob Communication**") in the period between December 2013 – August 2014, submitted the RPT Procedure to a first verification process.
At the end of said process the Board of Directors of the Company deemed the RPT Procedure adequate, not finding any circumstances giving rise to the need of a review thereof.
Said decision, as by the way required by Consob Communication[6], had been adopted subject to the prior acquisition of the opinion of the Control and Risk Committee in office at the time and to which also the duties of the Independent Directors Committee had been entrusted pursuant to and to the effects of the provisions of Consob Related-Party Regulation.

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In light of the above, also in consideration of the Seat IOL Merger, in the second half of 2016, a further assessment process of the RPT Procedure has been conducted, the outcome of which have been submitted to the Control and Risk Committee (in the functions entrusted thereto as Independent Directors Committee) during the meetings of 22 February and 13 March 2017 and will be subsequently assessed by the Board of Directors.

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In short, the current RPT Procedure provides as follows:

1. For Minor Transactions
    - the approval of the transaction by the Board of Directors and/or the delegated bodies , subject to a non-binding opinion of the Control and Risk Committee, in consultation with the Board of Statutory Auditors, on the Company's interest in completing the same,
    - that the Control and Risk Committee is entitled to make use of one or more independent experts of its own choice,
    - that the board of directors' approval resolution must contain adequate reasons supporting the Company's interest in completing the transaction, as well as the appropriateness and material correctness of the related conditions;
2. for Major Transactions (i.e. those in which at least one of the significance ratios exceeds 5%)
    - that the approval by the Board of Directors is exclusive, excluding the transactions which pertain to the Shareholders' Meeting, subject to the prior favourable opinion of

[6] Consob Communication in fact reminds that Art. 4 of the RPT Regulation "…*provides for a number of correctness controls and, in particular, the expression of a favourable opinion by a committee solely comprised of independent directors, applicable both as regards the adoption of the procedures and their possible amendment. […] It seems furthermore appropriate, although not required by the Regulation, to acquire an opinion of the independent directors committee also as regards the possible decision not the proceed, at the end of the assessment of the procedures in place, with any amendment*…"

the Committee of Independent Directors (referred to above) and/or with the favourable vote of the majority of the Independent Directors

- that the Committee of Independent Directors (i) must receive, well in advance, complete and adequate information on the transaction, (ii) must be preliminarily involved in the negotiations and in the preliminary investigation phase, (iii) may express, on a preliminary basis, a reasoned opinion on the Company's interest, as well as on the appropriateness and material correctness of the related conditions.

The Procedure is available on the Company's website at the address: http://www.italiaonline.it/en/governance/corporate-documentation/related-party-transactions-procedure/.

In accordance with the provisions of the RPT Procedure, on 26 January 2016, the Company made available to the public the Informative Document related to the Seat IOL Merger drafted in accordance with art. 5 of Consob Regulation No. 17221 of 12 March 2010, as subsequently amended, on related party transactions by lodging it at its registered office and its secondary office and by publication on its website at the address http://www.italiaonline.it/en/governance/extraordinary-transactions/merger-by-incorporation-of-italiaonline-s-p-into-seat-pagine-gialle-s-p/ and also on Borsa Italiana S.p.A.'s website at www.borsaitaliana.it.

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Statutory Auditors (Article 8 of the Code; article 123-bis, paragraph 2, letter d) of the TUF)

Provisions of the Corporate By-Laws governing the appointment of the Board of Statutory Auditors

In accordance with the Corporate By-Laws, statutory auditors too are appointed on the basis of slates that must be lodged at the Company's registered headquarters before the meeting.

It should be noted that the Extraordinary Shareholders' Meeting of 12 June 2012 approved the proposed amendments to article 22 (*Board of Statutory Auditors*) of the Corporate By-Laws in order to adopt the same needs to comply with the regulations previously indicated with reference to the composition of the Board of Directors and contained in the TUF, as amended by Law no. 120/2011, as well as in the Issuers' Regulations (the so-called "female quotas"). Specifically, it was provided:

(i) that the slates for the appointment of the Board of Statutory Auditors, which present an overall number of candidates equal to or higher than three, must necessarily include, both with reference to regular members and with reference to alternate members, candidates of different genders, in accordance with the current regulations;

(ii) for a mechanism to replace regular members that takes account of the regulations governing gender equality;

(iii) that, should gender equality appear to be not ensured as a result of the procedures specified in the Corporate By-Laws, the shareholders' meeting shall take steps with the majorities prescribed by law, without prejudice to the compliance with the regulations governing gender equality.

As already anticipated, the regulations governing gender equality apply to the renewals after 12 August 2012: for this reason, it impacted for the first time on the renewal of the Company's Board of Statutory Auditors (which took place on 23 April 2015).

Again pursuant to article 22 of the Corporate By-Laws (as attached hereto), it is provided that all statutory auditors must be entered in the Register of Statutory Auditors (*Registro dei Revisori Legali*) under chapter III of Legislative Decree no. 39 of 27 January 2010[6] and must have carried out statutory auditing activities for a period of not less than three years.

Only those shareholders who, alone or together with others, own voting shares representing at least 2% of the voting capital in the Ordinary Shareholders' Meeting, or representing the lower percentage determined by CONSOB pursuant to Article 147-*ter*, I C, of Legislative Decree no. 58/1998, are entitled to submit slates.

In such regard, let us point out that on 25 January 2017, through Resolution No. 19856, Consob set, pursuant to article 144-septies, first paragraph, of the Issuers Regulation, at 42.5% the shareholding percentage necessary for the submission of candidate slates for the election of the management and control bodies, subject to the possibility for a lower percentage to be set forth in the Corporate By-Laws; therefore, in accordance with the Corporate By-Laws provision currently in force, the threshold for the submission of slates for the appointment of the control body must be deemed to be 2%.

The slates must be filed at the Company's registered offices by the end of the twenty-fifth day before the date of the shareholders' meeting convened to resolve appointment of the members of the Board of Statutory Auditors. In order to prove the aforesaid title, a copy of the certificates issued by authorised intermediaries and proving ownership of a number of shares necessary to present the slates themselves is to be filed with the registered offices of the Company by the deadline established for publication of the slates.
No shareholder, as well as shareholders belonging to the same group, may submit, personally or through a trustee, more than one slate and vote for different slates. Each candidate may appear on only one slate, or shall otherwise be disqualified.
Candidates who do not meet the ethical and professional requirements established in applicable legislation may not be included in the slates. Exiting statutory auditors may be re-elected.
Together with each slate, within the term indicated above, the designated parties' professional resumes are lodged, plus the declarations with which each candidate accepts the nomination and attests, under his or her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the requirements of law and the Corporate By-Laws prescribed for the position.
Any slates which fail to observe the foregoing requirements shall be considered as not having been submitted.
The procedures indicated below are to be followed in electing the Statutory Auditors:
1) two permanent members and one alternate are to be selected from the slate that received the greatest number of votes in the Shareholders' Meeting, based upon the order of priority in which they are listed

[6] It should be noted that Legislative Decree No. 39 of 27 January 2010 (which implemented the Community Directive 2006/43/EC) concerning statutory auditing activities replaced, *inter alia*, the word "accounting control" by "statutory auditors".
As a result, the name of the Register was also changed.

in the sections of the slate;
2) the remaining permanent member and alternate member are to be selected from the slate that received the second greatest number of votes in the Shareholders' Meeting and which is not connected, either directly or indirectly, with the shareholders who have presented or voted the slate which has ranked first in the number of votes, based upon the order of priority in which they are listed in the sections of the slate.
The chairman of the Board of Statutory Auditors is the candidate appointed from the second slate, if any, that receives the greatest number of votes.
If the requirements of pertinent laws or the Corporate By-Laws are not met, the statutory auditor is dismissed from the position.
In the event of replacement of a statutory auditor, the alternate auditor from the same slate as the auditor being replaced shall be the substitute. If this replacement does not allow compliance with the current regulations governing gender equality, the second alternate member, if present, belonging to the less represented gender and elected from the slate of the replaced candidate, will be the alternate member. Should the application of the procedures referred to above not allow compliance with the current regulations governing gender equality, the shareholders' meeting shall be called as soon as possible in order to ensure compliance with the provisions under these regulations.

The foregoing requirements for appointing the Board of Statutory Auditors do not apply to the Shareholders' Meetings, which, according to law or the Corporate By-Laws, must appoint the permanent and/or alternate auditors and the chairman as necessary to compose the Board of Statutory Auditors following replacement or dismissal and for appointing auditors for any reason if they are not appointed in accordance with the previous paragraphs. In these cases, the Shareholders' Meeting is to proceed according to the quorum required by law, without prejudice to the requirement – where applicable – of Article 144-sexies, paragraph 12, of the Issuers' Regulation, adopted by CONSOB with its resolution no. 11971 of 14 May 1999, as well as in accordance with the regulations governing gender equality and any additional applicable provisions of law.

Composition and operation of the Board of Statutory Auditors
The Board of Statutory Auditors consists of three standing auditors and two alternate auditors, appointed by the Shareholders' Meeting, which also fixes their remuneration.

Slate submitted on the occasion of the appointment of the Board of Statutory Auditors (information pursuant to article 144-decies of the Consob Issuers' Regulations)
On the occasion of the Ordinary Shareholders' Meeting held on 23 April 2015, within the terms set out by the regulations in force, information was provided and the documentation was prepared referred to in article 144-*sexies*, paragraph 4, of the Consob Issuers' Regulations. Furthermore, the shareholders - The San Bernardino County Employees' Retirement Association, GT NM LP, GoldenTree SG Partners LP and Goldentree Asset Management Lux S.à.r.l., though Goldentree Asset Management LP as relating asset manager - which submitted the slate, as well as the aggregate stake held (29.022% of the ordinary share capital).
The Company has promptly taken steps to make public the documentation concerning the slate submitted through the internet website at the address http://www.italiaonline.it/en/shareholders-meetings/shareholders-meeting-23-april-2015-italian-only/.

Furthermore, with reference to the provisions under article 144-*octies*, paragraph 2, of the Consob Issuers' Regulations, the Company has notified that, at the date of expiry of the time limit set for filing

the slates for the appointment of the Board of Statutory Auditors, no minority slates had been submitted. Therefore, in accordance with the provisions under article 144-*sexies*, paragraph 5, of the aforesaid Issuers' Regulations, it was notified that additional slates for the appointment of the Board of Statutory Auditors could be deposited by and no later than 22 April 2015 and that the percentage of interest necessary for submitting slates, as per the Corporate By-Laws, was reduced to half (and it was then equal to 1% of the voting share capital at the ordinary shareholders' meeting). On said occasion no minority slate was submitted. See, for this purpose, the press release circulated by the Company: http://www.italiaonline.it/wp-content/uploads/2015/03/3132015comunicatolistaminoranzaENGDEF.pdf

Finally, it should be noted out that the Company – following the Shareholders' Meeting of 23 April 2015 – informed the public of the appointment of the Board of Directors and of the Board of Statutory Auditors in the press release available through the website at the address http://www.italiaonline.it/wp-content/uploads/2015/04/23-04-2015ComunicatoSeat_AssembleadegliazionistiENG.pdf

Having said this, it should be noted that

- the Shareholders' Meeting of 23 April 2015 appointed Maurizio Gili, Ada Garzino Demo and Guido Nori as Standing Auditors and Massimo Parodi and Roberta Battistin as Alternate Auditors, until the approval of the financial statement for the financial year closed on 31 December 2017, also appointing Maurizio Gili as Chairman of the Board of Statutory Auditors.
- Massimo Parodi died on 5 September 2015. The Company Ordinary Shareholders' Meeting of 8 March 2016 approved the appointment of Dott. Giancarlo Russo Corvace as alternate auditor.

It should be pointed out that the relevant table attached hereto reports indications as to the number of Board meetings held in the course of 2016 and the percentage of attendance of each Statutory Auditor.

Below is reported the composition of the Board of Statutory Auditors at the date of this Report, accompanied by the information on personal and professional characteristics of the members:

MAURIZIO MICHELE EUGENIO GILI (Chairman of the Board of Statutory Auditors)
GILI Maurizio, born in Turin on 17/7/1956, earned his degree in Economics from the University of Turin on 13/3/1981.
He has been enrolled with the Register of Tax and Corporate Affairs Specialists of Turin at no. 551 since 12/5/1982 and with the Register of Certified Auditors (Ministerial Decree 12/4/1995 published in G.U. no. 31 bis – 4th special series).
He has been enrolled with the Register of Court-appointed Technical Consultants since 19/1/1996 prot. no. 187/5.
He manages his professional practice from his office at via Perrone, 14, Turin, and in particular he provides consultancy services on legal, corporate and tax matters for capital companies, groups of publicly held companies operating in the industrial, insurance, real estate and construction, hotel sectors.
He also advises companies and groups on restructuring and debt management in the context of financial difficulties and composition procedures.
He has been granted mandates as Court-Appointed Consultant appointed by the Court of Turin on accounting, banking, corporate and business and asset valuation matters. He has also been granted mandates by the Court of Turin as Inspector and Administrator pursuant to art. 2409 of the Italian Civil

Code. His most recent appointment was as Judicial Administrator of Bertone S.p.A.. He has also been appointed by the Protective Judge of the Court of Turin as "Supporting Administrator" and as "Tutor".
He has held and continues to hold the role of Bankruptcy Trustee and Judicial Commissioner for numerous insolvency proceedings at the Court of Turin and the Court of Ivrea.
He is often appointed consultant in the context of insolvency proceedings before several Courts in Piedmont.
He has been appointed Consultant by several Prosecutors' Offices in Piedmont.
He has held and continues to hold roles as statutory Auditor of several companies.
He is a professor of preparation courses for the State qualification exam given by the *Scuola di Alta Formazione Piero Piccatti* of the Guild of Tax and Corporate Affairs Specialists and Accounting Experts of Turin.
He is part of the Research Group for bankruptcy issues established by the Guild of Tax and Corporate Affairs Specialists, and holds the role of "contact person for the sub-group focusing on tax issues".
He is a member of the Board of Directors of the "Piero Piccatti" Foundation of the Guild of Tax and Corporate Affairs Specialists and Accounting Experts of Ivrea-Pinerolo-Turin.

ADA ALESSANDRA GARZINO DEMO (Regular Auditor)
Born in Ivrea (TO) on 29 May 1963.
She earned her degree in Economics, with honors, from the University of Turin on 10 November 1987. Her thesis was entitled "Taxation of credit instruments: its influence on investor's decisions", presenter Prof. V. Bennani.
Since 22 July 1991 she has been registered with the Guild of Tax and Corporate Affairs Specialists and Accounting Experts of Turin and since 23 November 2006 she has been enrolled with the Register of Court-appointed Technical Consultants.
She is enrolled in the Register of Certified Auditors (Legislative Decree 39/2010, GU no. 31 bis dated 21/4/95 Ministerial Decree 12/4/1995).
Following a brief experience at an auditing firm, in 1988 she started her apprenticeship and since 1991 practices as a Tax and Corporate Affairs Specialist focusing on tax and corporate consulting for medium/large companies and multinationals and is specialized in tax matters concerning the telecommunications sector and tax planning.
She is a statutory auditor for various companies and entities.

GUIDO NORI (Regular Auditor)
1979 – Degree in Economics at the Università Cattolica of Milan
1983 – Enrolment with the Register of Tax and Corporate Affairs Specialists
1995 – Enrolment with the Register of Certified Auditors
PROFESSIONAL PRACTICE - Guido Nori is senior partner of TCL ADVISORS – Studio Associato. The firm's main activities concern: the advisory in the matter of structuring of international tax transactions, the tax planning of national and international groups providing the solution to relating tax issues, the analysis of the transfer-pricing and the stable organization issues, the optimization of the consolidated tax load, merger & acquisition and private equity transactions, the planning of generational handover, tax litigation. The assistance in the matter of corporate governance and corporate restructuring, the consultancy in over indebtedness and business crises. Business and corporate evaluations. Labour consultancy.
Entitlements to appear before Tax Commission.
Long-term consultancy experience in the corporate, financial and tax sector in composition with creditors procedures.

Member of Boards of Statutory Auditors and Supervisory Bodies pursuant to Legislative Decree 231/2001 of companies belonging to industrial multinational groups as well as banks and financial institutions. Experiences as director and liquidator of companies.
Mandates of business evaluation as expert appointed by the Courts of Milan. Evaluation on a voluntary basis of companies and their activities for corporate and tax purposes.
PRIOR EXPERIENCES
2000-2016 – Co-founder and head of tax department of Studio Legale Delfino e Associati Willkie Farr & Gallagher LLP.
1990-2000 – Head of tax department of Studio Legale Ughi e Nunziante
1982-1990 – Tax consultant at Studio Tributario Deiure - Milan (correspondent firm of Price Waterhouse)
1980-1982 - Price Waterhouse S.a.s. – Milan (international accounting and tax audit firm).

Roberta Battistin (Alternate Auditor)
Born in Genoa in 1971, she earned her degree in Business Administration, focusing on studies for the profession of Tax and Corporate Affairs Specialist at Bocconi University in Milan.
She passed the state qualification exam to practice as a Tax and Corporate Affairs Specialist.
She has been enrolled in the Guild of Tax and Corporate Affairs Specialists of Milan since January 2001.
She has been enrolled in the Register of Certified Auditors since February 2002.
She is enrolled in the Register of Court-Appointed Technical Consultants of the Court of Milan.
Professional specialization: corporate control/auditing and corporate governance for listed and non-listed companies; matters concerning administrative liability of companies pursuant to Legislative Decree No. 231/2001; tax consultancy on domestic and international matters; administrative-accounting and financial statement activities; tax and corporate consultancy in connection with M&A transactions; preparation of valuations of businesses and corporate assets.
She is an independent Director at Industria e Innovazione S.p.A., Chairman of the Board of Statutory Auditors of Bausch & Lomb IOM S.p.A., Standing Auditor of Henry Schein Krugg S.r.l., Gilead Sciences S.r.l., Huntsman P&A Italy S.r.l., Huntsman Pigments S.p.A., Sace S.p.A. and Standing Auditor of other smaller companies.

Giancarlo Russo Corvace (Alternate Auditor)
Giancarlo Russo Corvace holds a degree in Economics from the Free University of Social Studies in Rome with 110/100 magna cum laude degree, he attended master classes in Business Administration at school of Business Administration of the University of Turin with 110/110 degree. He is Professional Accountant and Auditor.
He has worked until 1985 at Banca Nazionale del Lavoro as manager at financial affairs office. In particular he oversaw the opening of the euro market and the swap on the lira, following the first operations took place on the market.
In the past he has worked, for some periods, for Bank of America of London.
Until 1988 he was CEO in Ifigest Fiduciaria Sim S.p.A. active on the market of asset management, for which he took care of obtaining the necessary licenses and the set-up of the business (now Banca Ifigest).
Since 1989 he is advisor of the Graziadei Firm and Ferreri & Partners Firm of Rome where he performs consultancy activities in the finance and commercial law sectors referred to Italian and international issues for big and medium Italian and foreign company groups. He also oversaw the listing of A.S. Roma S.p.A., the privatization of Aeroporti di Roma S.p.A., the reorganization of ENEL, corporate restructuring and project financing.

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It should be noted that the abovementioned Legislative Decree no. 39 of 27 January 2010 implemented the community directive concerning activities of statutory auditing of annual and consolidated accounts. As a result, the directive provides for the obligation of the Italian issuing companies to appoint a committee for internal audit and auditing to monitor the financial reporting process, to check efficiency of the internal control, internal audit and risk management systems, to monitor statutory auditing activities and to ascertain the auditor's independence. As is known, the Italian legislator has provided that the duties of this committee must be performed by the supervisory body, or by the Board of Statutory Auditors.

With specific regard to the application criteria of article 8 of the Code, it should be noted that the Board of Statutory Auditors proceeded to formally comply with the recommendations therein. Specifically, the Board of Statutory Auditors resolved as follows:

- statutory auditors act autonomously and independently also vis-à-vis the shareholders who elected them and spend as much time as is necessary on the diligent performance of the duties assigned to them. In this connection, the statutory auditors keep the information and documents that they acquire in the course of their duties confidential and observe the procedures that have been adopted for the disclosure of sensitive data outside the Company.
- the Board of Statutory Auditors acknowledges that the issuer has adopted procedures and methods of behaviour that ensure the effective performance of the duties proper to the Board of Statutory Auditors, such as, but not limited to: (i) the participation of at least one member of the Board of Statutory Auditors in the Control and Risk Committee's meetings; (ii) the participation of at least one member of the Board of Statutory Auditors in the meetings of the Appointments and Remuneration Committee and of the Supervisory Body set up pursuant to Legislative Decree no. 231/2001; (iii) direct and constant contact with the Head of the Internal Audit and Compliance Department; during the course of their duties, the statutory auditors may ask said Department to verify specific areas of operations or corporate transactions; (iv) the participation, on request, of the company officers concerned in the Board of Statutory Auditors' Meetings.
- the Board of Statutory Auditors verifies annually that the requirements regarding the independence of the statutory auditors are satisfied; the outcome of the verification is transmitted to the Board of Directors that includes it in the report on corporate governance. The statutory auditor who has an interest, either on his/her own account or on behalf of third parties, in any transaction proposed by the Company proceeds to inform the other statutory auditors and the Chairman of the Board of Directors exhaustively and in good time of the nature, the terms, the origin and the extent of his/her interest.
- the Board of Statutory Auditors and the Control and Risk Committee promptly exchange the information discovered in connection with the performance of their respective duties.
- in the context of the duties assigned to it by law, the Board of Statutory Auditors verifies that the criteria and the procedures adopted by the Board of Directors for the assessment of the independence of its members are correctly applied, subsequently disclosing the outcome of these controls to the market within the report on corporate governance and the statutory auditors' report to the Shareholders' Meeting.

It should be noted that, as regards criterion 8.C.1 of the Code, the Board of Statutory Auditors verified that the independence requirements for each statutory auditor were satisfied, also on the basis of the criteria laid down for Directors in this Code.

Furthermore, in accordance with criterion 3.C.5 of the Code, the Board of Statutory Auditors verified that the criteria and the procedures for the assessment of the independence requirements regarding each member were properly applied (for this purpose, see what is indicated above with reference to Article 3 of the Code).
In particular, in the course of 2016, and more specifically in the meeting held on 4 February 2016 the Board of Statutory Auditors verified, with the contribution of all members, the independence requirement. Said verification had a positive outcome. To this end the principles and criteria as per the conduct rules of the Board of Statutory Auditors of listed companies have been adopted, as drafted by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* – rule U.1.4. independence –. Said criterion is based on the risk analysis (risk approach) that takes into account the recommendations issued at supranational level (please see IFAC, CODE OF ETIC FOR PROFESSIONAL ACCOUNTANTS, recommendations of the European Commission 16.5.2002 as well as FEE recommendations of July 1998).
As part of the verification, the criteria provided for by the Corporate Governance Code as regards the independence of Directors, where applicable, have also been complied with.

It should be recalled that the Board of Statutory Auditors currently in office was appointed by the ordinary shareholders' meeting of the Company held on 23 April 2015; in spite of the high number of board meetings held in consideration of the integration process with the Incorporated Company, [on 16 December 2016, in addition to the board activities, specific initiatives were undertaken aimed at providing the Board of Statutory Auditors with adequate knowledge of the Company's business sector, corporate dynamics and their trends, as well as the relevant reference legal and self-regulatory framework.]

The on-going contacts and various meetings held with management have nonetheless provided the opportunity to give the Board of Statutory Auditors an initial general information on the Company and its special context.

The main activities performed by Standing Statutory Auditors are highlighted below:

Maurizio Gili	Chairman of the Board of Statutory Auditors of Profilmec S.p.A. Replica International S.p.A., S.T.I.G.E. S.p.A., Pastorino S.r.l., Osa S.p.A., Exergia S.p.A., Energia & Impresa S.p.A., Consodata S.p.A., Standing Auditor of Molino F.lli Chiavazza S.p.A., Ispadue S.p.A., Sit S.p.A., Sis S.c.p.a., Barbero Pietro S.p.A., Ispadue S.p.A., S.I.T. S.p.A.
Ada Alessandra Garzino Demo	Chairman of the Board of Statutory Auditors of Elior Ristorazione S.p.A., Gemeaz Elior S.p.A., Ringmaster S.r.l., Valeo S.p.A., Valeo Service Italia S.p.A., Standing Auditor of Elior Concessioni S.r.l., Elichef Holding S.p.A., Faiveley Transport Italia S.p.A., LFoundry S.r.l., Leoni Italy S.r.l., Mychef Ristorazione Commerciale S.p.A., Reply S.p.A., Smurfit Kappa Italia S.p.A., Vishay Semiconductor Italiana S.p.A., Single Auditor of Micron Semiconductor Italia S.r.l., Fondazione Mirror, Alternate Auditor of Elior Servizi S.r.l., Marsica Innovation S.p.A. and Servizi Integrati Area Fiorentina S.p.A.
Guido Nori	Chairman of the Board of Statutory Auditors of Delta Med S.p.A., Lucchini RS S.p.A., Maer Italia S.r.l., Parmacotto S.p.A., Pitney Bowes Italia S.r.l., Savencia Fromage & Dairy Italia S.p.A., Sediver S.p.A. and Seves S.p.A.,

	Statutory Auditor of Bausch & Lomb-lom S.p.A., BNP Paribas Investment Partners Società di Gestione di Risparmio S.p.A., Citelium Italia S.p.A., CO.GEI.I. S.r.l., Dell S.p.A., IFITALIA S.p.A. - BNP Paribas Group, Redaelli Tecna S.p.A., Roberto Cavalli S.p.A., Rothschild S.p.A. and Varenne 3 S.p.A..

It should be noted that in 2016, the Board of Statutory Auditors met 16 times, with an average duration of the meetings that can be quantified at 3 hours.
For the current year 8 meetings are scheduled, provided that since 1 January 2017 until the date of approval of this Report, the Board of Statutory Auditors met on three occasions.

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Relations with Shareholders (Article 9 of the Code)

In accordance with principles under article 9 of the Code, pursuant to which the Board of Directors promotes initiatives aimed at encouraging participation of the shareholders in the meetings as widely as possible and helping them to exercise their rights, it should be noted that, as to the selection of the location, shareholders' meetings were in the past generally held in Turin at the former main Company office (i.e. the current secondary office). As better set out in next paragraph pursuant to art. 10 of the Company By-Laws, the shareholders meeting is called in the City where the registered office or the secondary office are located.

Documents to be consulted for the purposes of the Shareholders' Meetings, which are made available pursuant to the regulations in force, must be sent to all shareholders that request them, also by means of an appropriate e-mail address. Information may also be given by phone.

As regards application criteria under article 9 of the Code, it should be noted that in 2016 the Company gave precise and timely notice in order to guarantee accurate and transparent disclosures on the Company's activities, in compliance with the "Seat Pagine Gialle S.p.A. Procedure for the handling and market disclosure of inside information" until 6 July 2016 and afterwards the "Italiaonline Guidelines for the handling of inside information" (referred to above).
Appropriate corporate functions guarantee, in particular, relations with the national and international financial community (Investor Relations) and the shareholders (Corporate Affairs).
To encourage dialogue with all financial market operators, the Company published on its website, in two specific sections called "Governance" and "Investor" (i) all documents concerning the Company's governance system, information on corporate bodies as well as reports and material to be used in meetings and (ii), all economic and financial documentation (financial statements, semi-annual and quarterly reports), supporting documents (presentations to the financial community), as well as press releases issued by the Company, both in Italian and English. The "Investor" section also includes information of interest for all Shareholders, including that on the stock exchange performance of Italiaonline stock.
You may contact the Investor Relations Department as follows:
Telephone no.: +39 011 4352600; Fax no.: + 39 011 6948222; e-mail investor.relations@italiaonline.it.

Shareholders' Meetings (pursuant to article 123-bis, paragraph 2, letter c) of the TUF)

As is known, the so-called "Shareholders Rights" rule (Legislative Decree no. 27 of 27 January 2010, as amended and supplemented) adopted the EU directive no. 2007/36/EC on the exercise of certain rights of shareholders in listed companies. Specifically, the decree amended articles 2366/2373 of the Italian Civil Code and strongly affected the TUF, introducing new important provisions for listed companies, with specific regard to the carrying out of the activities of the shareholders' meetings.
In light of these new regulatory developments, the current text of article 8 of the Corporate By-Laws (as attached hereto), as finally amended by the resolution passed by the Shareholders' Meeting on 22 October 2012, provides that those who are entitled to vote and are authorised according to the applicable regulations may attend the Shareholders' Meeting, in the manner and at the terms and conditions set out[7]. Each party who has the right to vote and who has the right to attend shareholders' meetings can cause himself/herself to be represented by means of a written proxy or a proxy granted via electronic mail pursuant to the applicable regulations.
It should be remembered that the Extraordinary Shareholders' Meeting held on 20 April 2011 resolved to amend article 8 in order to make it more compliant with article 135-*novies* of the TUF, which provides for the possibility of granting proxies by electronic means: each party who has the right to vote and who has the right to attend shareholders' meetings can cause himself/herself to be represented by means of a written proxy or a proxy granted via electronic mail pursuant to the applicable regulations.
The proxy may be issued to an individual or legal entity.
The proxy can be notified electronically via use of a specific section of the Company's website, according to the procedures indicated in the meeting notice, or via certified email sent to the email address indicated at any given time in the meeting notice.
It should be noted that, pursuant to article 135-*undecies* of the TUF, as introduced by Legislative Decree 27/2010, the companies with listed shares may designate, for each Shareholders' Meeting, a person to which the shareholders may grant a proxy with voting instructions on all or some of the proposals on the agenda, according to procedures and time limits set out by the rule itself. It is also provided for the application of the rule, except for any provisions to the contrary laid down in the Corporate By-Laws. Having stated this, the Board has deemed it appropriate, in the interests of the Company, not to deprive itself of the possibility of resorting, in specific circumstances, to the designation of the person specified by paragraph 1 of article 135-*undecies* of the TUF referred to above; for this reason, the Extraordinary Shareholders' Meeting of 20 April 2011 resolved to grant the Board itself, where it deems appropriate, the right to make this designation, giving specific notice thereof in the notice of call of the related Shareholders' Meeting.

In order to ensure the best possible management with regard to the organisation of the shareholders' meeting's proceedings (in technical/logistics terms), the Extraordinary Shareholders' Meeting of 20 April 2011 also resolved to provide for the place of calling of the shareholders' meetings to coincide with the Municipality district where the registered office or, if required, the secondary office of the Company is located (article 10 of the Corporate By-Laws).
Pursuant to the article 10 of the Corporate By-Laws, as amended by the aforesaid Extraordinary

[7] Pursuant to the provisions in force, persons who are holders of the securities account at the end of the trading day on the seventh trading day prior to that scheduled for the Shareholders' Meeting are entitled to vote at the Shareholders' Meeting. Furthermore, as the ownership of the shares could vary between the seventh day prior to the shareholders' meeting and the date of the shareholders' meeting, it is not necessarily correct to talk about shareholders, but about "those who are entitled to vote".

Shareholders' Meeting [8], note the following.
The Shareholders' Meeting is convened in accordance with law in the municipal district in which the registered office of the company is located or, if required, the secondary office, by means of a notice published in the manner and within the terms envisaged by applicable regulations. The Ordinary Shareholders' Meeting for approval of year-end financial statements must be held within 180 days after the end of the company's financial year, according to the relevant law, due to the Company being required to prepare consolidated financial statements or, in any case, whenever specific needs concerning the structure and the corporate purpose of the Company render it necessary.
Shareholders' meetings are also held whenever the Board deems it to be appropriate or when the law requires that they be held.
The Extraordinary Shareholders' Meeting held on 22 October 2012 amended article 10 of the Corporate By-Laws, providing for the ordinary and extraordinary shareholders' meetings, the notice of call of which was published after 1 January 2013, to be held on a single call, pursuant to law.

Pursuant to article 11 of the Corporate By-Laws, the quorum for the establishment and resolutions of Shareholders' Meetings is provided for by the law.

The Shareholders' Meeting, upon the proposal of the meeting's Chairman, appoints a secretary, who need not be a shareholder. In the possible cases contemplated by law and when the meeting's Chairman deems it to be necessary, meeting minutes are prepared in the form of a public deed by a notary designated by the Chairman.
It should be noted that article 19 of the Corporate By-Laws - pursuant to article 2365, paragraph 2, of the Italian Civil Code - states that the attributions provided for therein do not fall within the competence of the shareholders' meeting and must instead be allocated to the Board of Directors (see, in this regard, the information reported above in the paragraph "The role of the board of directors - Article 1 of the Code").

Directors make every effort to facilitate shareholders' attendance of shareholders' meetings. Whenever possible, all directors and statutory auditors (especially those directors who - by virtue of the position held - can make a useful contribution to meeting discussions) take part in shareholders' meeting.
As regards application criterion 9.C.3 of the Code, the characteristics of the Shareholders' Meetings – i.e. streamlined proceedings and absence of criticalities – have allowed us not to propose, thus far,

[8] In fact, the Shareholders' Meeting of 20 April 2011 resolved, with reference to article 10, as follows:
Amendments to paragraph 2
The combined provisions of articles 154-*ter* of the TUF, as amended by Legislative Decree 27/2010, and by article 2364, paragraph 2, of the Italian Civil Code, allow companies that are required to prepare consolidated accounts to make use, once again, of the right to call the Shareholders' Meeting for the approval of the financial statements within the higher time limit of 180 days from the closure of the company's financial year, without prejudice to the time limit of 120 days to make available the related documentation to the public. The Shareholders' Meeting has resolved to make use of this right in order to allow greater flexibility.
Amendment to paragraph 4 and introduction of a new paragraph 5
Legislative Decree 27/2010 has amended article 2369 of the Italian Civil Code, providing for the Articles of Association of companies that resort to the risk capital market to exclude calls subsequent to the first one and providing that the single call shall be subject, for the Ordinary Shareholders' Meeting, to the majorities specified for the second call and, for the Extraordinary Shareholders' Meeting, to the majorities envisaged for calls subsequent to the second one. Having stated this, the Shareholders' Meeting of 20 April 2011 resolved to amend article 10 of the Articles of Association, providing for the Ordinary and Extraordinary Shareholders' Meetings to be held normally following more than one call, without prejudice to the fact that the Board of Directors may consider the opportunity for the Ordinary and Extraordinary Shareholders' Meetings to be held following one single call.

adoption of a shareholders' meeting regulation. It is also pointed out that article 2371 of the Italian Civil Code expressly provides, as regards meeting chairmanship, for the meeting's Chairman to check proper constitution of the meeting and the identity and the legitimate right of those present, to manage proceedings and to ascertain the results of voting (pursuant to article 12 of the Corporate By-Laws, the meeting's Chairman checks - also through specifically appointed officers - the right to attend, compliance of proxies with current legislation, the valid constitution of the meeting as such, and the identity and the legitimate right of those present. He then manages meeting proceedings and takes appropriate measures to assure orderly discussion and voting, defining the latter's approach and ascertaining results.
In particular, it should be noted that:

- With reference to the matters from time to time on the agenda, the Board has taken action to ensure that the shareholders are provided with adequate disclosure on the elements necessary in order to make decisions falling under their responsibility;
- In order to ensure that each shareholder is guaranteed the right to speak on items on the agenda, the Chairman of the meeting, prior to addressing each item on the agenda, reminds the attendees who intend to take the floor to book their speech and that during discussions such speeches must be concise and pertain to the agenda and be completed within a maximum of 10 minutes per speaker; most recently, those who have already taken part in the discussions may take the floor once against for a short speech not to exceed, in general, 5 minutes, in order to reply.

With reference to the market capitalization of the Company's ordinary shares and savings shares, as illustrated in the following table, please note that between 31 December 2015 and 31 December 2016, a capitalization increase of approximately €72 million (from €201 to €273 million) was recorded.

Shares

		As at 12.31.2016	As at 12.31.2015
Share capital	euro	20.000.409,64	20.000.000,00
Number of ordinary shares	n.	114.761.225	64.267.615.339
Number of savings shares	n.	6.803	6.803
Market capitalization			
- based on average market price on 30 December			
Ordinary shares	euro/mln	271	199
Saving shares	euro/mln	2	2
Total	euro/mln	273	201

As at this report date the market capitalization amounts to around Euro 323 million.

As regards the composition of the corporate organisation, reference is made to the information reported above with regard to ownership structures.

Meetings held in 2016
In 2016, the following Meetings were held:

1) <u>Ordinary and Extraordinary Shareholders' Meetings</u>

a) The Ordinary and Extraordinary Shareholders' Meeting of the Company met on 8 March 2016 and resolved to approve:

- the merger by reverse incorporation plan of the Incorporated Company into the Company, subject to the prior favourable opinion of independent directors committee, according to the exchange ratio set at no. 1,350 Company ordinary shares per each Incorporated Company share.
- the "Stock Option Plan" and the granting of a delegation to the Board of Directors to increase the share capital to service said Stock Option Plan pursuant to article 2441, paragraphs 5, 6 and 8, of the Italian Civil Code;
- the delegation to the Board of Directors to increase in one or more issues the share capital, with exclusion of option rights pursuant to article 2441, comma 4, the Italian Civil Code;
- the appointment, as member of the Board of Directors, of Antonia Cosenz, co-opted by the Board of Directors of 10 November 2015;
- the appointment, as Alternate Auditor, of Giancarlo Russo Corvace.

b) On 27 April 2016, the ordinary Shareholders' Meeting of the Company resolved:

- to approve the annual financial statement 2015 of the Company, the draft of which had been approved by the Board of Directors of 15 March 2016, closing with a loss for the year of Euro 27,114,345.46 and to cover for the entire amount of said loss using the Retained Earnings Reserve;
- to express a favourable opinion to Section I of the Remuneration Report pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998.

c) On 12 May 2016, the ordinary and extraordinary Shareholders' Meeting of the Company:

- approved (i) the consensual termination proposal of the legal audit of accounts mandate granted to PricewaterhouseCoopers S.p.A. and (ii) the granting of a new legal audit of accounts mandate for the period 2016 – 2024 to KPMG S.p.A.;
- resolved, with effectiveness conditional upon the effectiveness of the Seat IOL Merger, to (i) approve the grouping of outstanding shares according to the ratio of no. 1 new ordinary share each no. 1,000 existing Company ordinary shares, (ii) change the company name of the Company to "Italiaonline S.p.A." and transfer the registered office in the City of Assago (Milan) maintaining a secondary office in the City of Turin, and (iii) approve the consequent amendments to the Corporate By-Laws.

2) <u>Meeting of shareholders holding saving shares</u>

d) On 18 May 2016 the special meeting of the Company saving shareholders (i) approved the final statement relating to the Common Fund pursuant to art. 146 of Legislative Decree 58/1998, (ii) confirmed for the three-year period 2016-2018 as common representative of saving shareholders Mrs. Stella D'Atri, who is awarded for the office an annual remuneration of euro 36,000, (iii) resolved the creation of a fund pursuant to art. 146 of the TUF and set at euro 150,000 the amount of the fund for the necessary expenses to protect the common interests of saving shareholders, (iv) authorised the common representative to analyse the impact on the category of the merger by incorporation and the proposed grouping of ordinary shares and possibly undertake any activity in protection of the same category and (v) granted a delegation to the common representative to propose to the Company a settlement composition, relating to the challenge of meeting resolution of 23 April 2015, in the part concerning the allocation of the result for the fiscal year closed on 31 December 2014.

***

Changes since the closure of the relevant financial year

Nothing material to report.

Italiaonline S.p.A.
for the Board of Directors
the Chief Executive Officer

Milan, 15 March 2017

TABLE 1 – STRUCTURE OF THE BOD AND THE COMMITTEES as at the approval date of this Report

Board of Directors (1) (2)												Control and Risk Committee		Appoint. and Remun. Committee	
Office	Members	Yar of Birth	Date of first appointment	In office since	In office until	Slate **	Exec	Non-exec	Indep Daunder code and TUF	N. other offices ***	(*)	(*)	(**)	(*)	(**)
Chariman	Tarek Aboualam (4)	1971	14/02/2017	14/02/2017	Until the next Meeting	-		x			0/0				
Mangaing Directors	Antonio Converti	1955	9/9/2015	8/10/2015	App. Financial statement as of 31/12/2017	M	x				13/13				
Vice Chariman	David Alan Eckert	1955	23/4/2015	8/10/2015	App. Financial statement as of 31/12/2017	M	x				13/13				
Director	Maria Elena Cappello	1968	23/4/2015	8/10/2015	App. Financial statement as of 31/12/2017	M		x	x	3	10/13	13/17	M		
Director	Antonia Cosenz (3)	1975	10/11/2015	10/11/2015	App. Financial statement as of 31/12/2017	M		x	x		13/13	15/17	M	4/4	P
Director	Cristina Finocchi Mahne	1965	8/10/2015	8/10/2015	App. Financial statement as of 31/12/2017	M		x	x	4	9/13	17/17	P	3/4	M
Director	Onsi Naguib Sawiris	1992	8/10/2015	8/10/2015	App. Financial statement as of 31/12/2017	M		x			11/13				
Director	Corrado Sciolla	1963	23/4/2015	8/10/2015	App. Financial statement as of 31/12/2017	M		x	x		10/13			4/4	M
Director	Sophie	1979	9/9/2015	8/10/2015	App. Financial statement as of	M		x		1	12/1				

	Sursock				31/12/2017						3				

Number of meetings held during the reference year	*BoD: 13*	*Control and Risk Committee: 17* (average duration of the meetings: about 3 hours)	*Appointments and remuneration committee: 4* (average duration of the meetings: about 1 hour and 45 minutes)	

NOTE
* The phrase "date of initial appointment of each Director" means the date on which the Director was appointed or co-opted for the very first time to the Issuer's BoD.
** This column indicates the slate from which each Director was elected ("M" majority slate; "m" minority slate; "BoD": slate submitted by BoD).

*** This column indicates the number of roles as director or statutory auditor held by the person in questeion in other companies listed on regulated markets, including abroad, financial, banking, insurance companies or large companies (see the paragraph on the Board of Directors in office, where the roles are indicated in detail).

Failed attendance, in 2 out of 4 meetings, is justified by the supervened need to defer the dates of the meetings at hand.
(*) This column indicates the attendance by the directors at the meetings of, respectively, the BoD and the Committees (the number of meetings attended out of the total number of meetings that could have been attended is indicated).

(**) This column indicates the role of the director within the Committee: "C: chairman"; "M": member).

(1) It should be noted that on the occasion of the appointment of the current Board of Directors, which took place on 8 October 2015, a single slate was submitted. The quorum required for the submission of slates: 2%.
(2) For a comprehensive information as regards the succession in the composition of the Board of Directors intervened during the course of 2016 reference is made to what illustrated on page 20 and following of this Report.
(3) On 8 March 2016, the Ordinary Shareholders' Meeting resolved to appoint Antonia Cosenz as member of the Board of Directors, already co-opted in the BoD on 10.11.2015.
(4) On 14 February 2017, the Board of Directors of the Company appointed by co-optation Tarek Aboualam as Chairman of the Board of Directors to replace Khaled Galal Guirguis Bishara, who resigned on the same date. As at 31 December 2016 Khaled Galal Guirguis Bishara had attended 9/13 meetings of the Board of Directors.

TABLE 2 - STRUCTURE OF THE BOARD OF STATUTORY AUDITORS as of the approval date of this Report

Role	Members	Year of birth	Date of initial appointment *	In office since	In office until	Slate **	Independence under Code	Attendance at the meetings of the Board of Statutory Auditors ***	No. of other roles ****
Chairman (1)	Maurizio Michele Eugenio Gili	1956	25/7/2013	14/10/2014	App. Financial statement as of 31/12/2017	M	Yes	16/16	1
Standing Auditor (1)	Ada Alessandra Garzino Demo	1963	27/1/2015	27/1/2015	App. Financial statement as of 31/12/2017	M	Yes	15/16	1
Standing auditor (1)	Guido Nori	1955	27/1/2015	27/1/2015	App. Financial statement as of 31/12/2017	M	Yes	16/16	-
Alternate Auditor (1)	Roberta Battistin	1971	27/1/2015	27/1/2015	App. Financial statement as of 31/12/2017	M	Yes	-	-
Alternate Auditor	Giancarlo Russo Corvace	1973	08/03/2016	08/03/2016	App. Financial statement as of 31/12/2017	-	Yes	-	-

(1) Appointed by the Ordinary Shareholders' Meeting on 23 April 2015 with term of office until the approval of the financial statements closed on 31 December 2017 Please note that on occasion of such appointment a single slate was submitted. The required quorum for the submission of slates: 2%.

(2) Appointed by the Ordinary Shareholders' Meeting on 8 March 2016, in place of Mr. Parodi, died on 5 September 2015.

Number of meetings held in year 2016: 16; since 1 January 2017 until the date of this Report: 3.
Average duration of the meetings: 3 hours.

NOTES

* The phrase "date of initial appointment of each auditor" means the date on which the auditor was appointed for the very first time to the Issuer's Board of Statutory Auditors.
** This column indicates the slate from which each auditor was elected ("M" majority slate; "m" minority slate; "BoD": slate submitted by BoD).
*** This column indicates the attendance by the auditors at the meetings of the board of statutory auditors (no. of meetings attended out of the total number of meetings that could have been attended, and average duration of the meetings).
**** This column indicates the number of roles as director or auditor held by the person in question (other than that held in the Company) that are relevant pursuant to art. 148 *bis* TUF and the related implementing provisions set forth in the Consob Issuers Regulation. The complete list of roles is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Consob Issuers Regulation.

Annex

Sections of the Corporate By-Laws of Italiaonline S.p.A. referred to in this Report

TITLE II
SHARE CAPITAL AND DEBT SECURITIES
ARTICLE 5 - SHARE CAPITAL SIZE

The subscribed and paid share capital is Euro 20,000,409.64 (twenty million four hundred and nine/64) comprised of 114,761,225 (one hundred fourteen million seven hundred sixty one thousand two hundred twenty five) ordinary shares and 6,803 (six thousand eight hundred three) savings shares, both without indication of nominal value.
In resolutions concerning paid capital increases, the option right can be excluded to the maximum extent of 10 per cent of previously existing capital, on condition that the issue price corresponds to the shares' market value and that this is confirmed in a specific report by the firm appointed to perform the legal audit of accounts.
The Shareholders' Meeting met in extraordinary session on 8 March 2016 resolved:
- to grant the Board of Directors for the period of five years after the resolution date, with the power to increase, for consideration and also in separate issues, the share capital pursuant to art. 2443 of the Italian Civil Code, with exclusion of option rights pursuant to article 2441, paragraphs 5, 6 and 8, of the Italian Civil Code, by a maximum aggregate amount of Euro 800,000 (eight hundred thousand), referred only to nominal value (to which the premium that may prove due will be added), by issuing maximum No. 4,589,893 ordinary shares without indication of nominal value with the same characteristics as outstanding ones, to be reserved for subscription to the beneficiaries of the "*2014-2018 stock option plan of SEAT Pagine Gialle S.p.A.*" approved by the Ordinary Shareholders' Meeting of 8 March 2016, subjecting the effects thereof to the condition precedent of the effectiveness of the merger by incorporation of Italiaonline S.p.A. into Seat Pagine Gialle S.p.A. ;

- to delegate to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the power to increase the share capital for consideration, in one or more issues, in one or more tranches, until 9 September 2018, with exclusion of option rights pursuant to article 2441, paragraph 4 of the Italian Civil Code, by a number of ordinary shares not exceeding 10% of the aggregate number of ordinary shares outstanding as at the date of the exercise, if any, of the delegation and in any case by maximum 11,474,733 ordinary shares. In particular, the share capital may be increased (i) pursuant to art. 2441, paragraph 4 first period of the Italian Civil Code, by way of contribution in kind of businesses, business units or shareholdings, as well as assets consistent with the corporate purpose of the Company and the companies participated thereby and/or (ii) pursuant to art. 2441, paragraph 4, second period of the Italian Civil Code, in case the newly issued shares are offered in subscription to institutional investors and/or industrial and/or financial partners deemed strategic by the Board of Directors for the activity of the Company. For the purpose of the exercise of the aforementioned delegation, in both cases the Board of Directors is granted with every power to set, for each single *tranche*, the number, the issue unitary price (comprising the premium, if any) and the entitlement of the ordinary shares, within the limits set forth by art. 2441, paragraphs 4 and 6 of the Italian Civil Code, being understood that the aforementioned issue price may also be lower than the pre-existing accounting par, without prejudice to the limitations of law.

ARTICLE 6 – SHARES

The Shareholders' Meeting may resolve to issue shares with varying rights, in accordance with law.
Within the limits and conditions established by law, the shares may be bearer shares.
Bearer shares may be converted into registered shares and vice versa at the request and expense of the interested party.
Shares are issued according to the dematerialisation system.
Savings shares have the privileges and rights described in this article.
Net profits reported in the regularly approved financial statements, less allocations to legal reserves, must be distributed to holders of savings shares up to an amount equal to five per cent of EUR 600.00 per share.
Any profits remaining after allocating the preferred dividend to the savings shares as established in the previous paragraph and as resolved by the Shareholders' Meeting shall be distributed among all shares so that savings shares receive a greater cumulative dividend that ordinary shares, equal to two per cent of EUR 600.00 per share.
When a dividend that is less than the amount indicated in the sixth paragraph from above is allocated to savings shares during any fiscal year, the difference shall be added to the preferred dividend during the two subsequent fiscal years.
In the case of distribution of reserves, savings shares have the same rights of other shares. Moreover, the meeting that approves the financial statements has the option - in case such financial statements show no or insufficient net profit -, to use the available reserves in order to meet the capital rights mentioned under item six above as possibly increased according to item eight above.
A share capital reduction due to losses shall not affect the savings shares except for the portion of the loss that is not met by the portion of share capital represented by the other shares.
At the winding up of the company, savings shares shall have preference in redemption of share capital up to the amount of EUR 600.00 per share. If there is subsequent reverse split or share-splitting (also as regards capital transactions, should any be necessary in order not to affect the rights of holders of savings shares should the shares have a par value), this fixed amount per share will be modified accordingly.
In order to provide the common representative with sufficient information on operations that may impact on the price development of savings shares, said representative shall be sent notices with regard to this matter, as it is relevant and required by law.

If at any time ordinary or savings shares of the company are excluded from trading, savings shares shall retain their rights and characteristics, unless savings shareholders are given the right to request conversion of their shares to ordinary or preferred shares listed on the exchange, with the same characteristics as the savings shares, in accordance with pertinent legal provisions in effect at that time, and the right to vote only in Extraordinary Shareholders' Meetings. The right to convert may be exercised by savings shareholders according to the terms and conditions to be defined by a resolution of the Extraordinary Shareholders' Meeting convened for this purpose, subject to approval by a meeting of savings shareholders, if applicable.

TITLE III

SHAREHOLDERS'MEETING

ARTICLE 8 - RIGHT TO ATTEND

Those who have the right to vote in compliance with applicable regulations, in the ways and terms envisaged, can attend shareholders' meetings.

Each party who has the right to vote and who has the right to attend shareholders' meetings can cause himself/herself to be represented by means of a written proxy or a proxy granted through a document duly signed in electronic form pursuant to the applicable regulations.

The proxy may be issued to an individual or legal entity.

The proxy can be notified electronically via use of a specific section of the Company's website, according to the procedures indicated in the meeting notice, or via certified email sent to the email address indicated at any given time in the meeting notice.

The Company may appoint, for each Shareholders' Meeting, by indicating in the notice of call, a person that the members may appoint as a proxy with voting instructions for all or some of the proposals on the agenda, within the time limits and according to the procedures required by law.

ARTICLE 10 – MEETING NOTICE

The Shareholders' Meeting is convened in accordance with law in the municipal district in which the registered office of the company is located or, if required, the secondary office, by means of a notice published in the manner and within the terms envisaged by applicable regulations.

The Ordinary Shareholders' Meeting for approval of year-end financial statements must be held within 180 days after the end of the company's fiscal year, according to the relevant law, due to the Company being required to prepare consolidated financial statements or, in any case, whenever specific needs concerning the structure and the corporate purpose of the Company render it necessary.

Shareholders' meetings are also held whenever the Board deems it to be appropriate or when the law requires that they be held.

The ordinary and extraordinary Shareholders' Meetings whose notice of call will be published after 1 January 2013 will be held in a single call, pursuant to law.

ARTICLE 11 - ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETINGS

Only ordinary shares are entitled to vote in Ordinary Shareholders' Meetings.

At Extraordinary Shareholders' Meetings ordinary shares are entitled to vote and, if issued, preference shares that have voting rights.

The quorum for the establishment and resolutions of Shareholders' Meetings is that provided for by the law.

TITLE IV

ADMINISTRATIVE AND GOVERNING BODIES

ARTICLE 14 – COMPOSITION OF THE BOARD OF DIRECTORS

The Company is managed by a Board of Directors composed of a minimum of 7 (seven) and a maximum of 21 (twenty-one) Directors.

The Shareholders' Meeting determines the number of members of the Board of Directors, which remains unchanged until otherwise resolved and throughout the term of office, subject to the maximum limits established by law.

Directors may be re-elected.

Whenever, for any reason whatsoever, the majority of Directors elected by the Shareholders' Meeting cease to perform their duties before their term of office has elapsed, the term of office of the remaining directors on the Board of Directors is considered to have expired and they shall cease to perform their duties when the Board of Directors is reappointed by the Shareholders' Meeting.

The appointment of the Board of Directors shall be based on a list submitted by the shareholders, in accordance with the following paragraphs, or by the exiting Board of Directors, in any case without prejudice to the application of different and further provisions under mandatory legal or regulatory rules. The candidates must be listed progressively.

Each list must contain and expressly indicate at least two candidates who meet the independence requirements required in Article 147-*ter*, IV C, of Legislative Decree no. 58/1998.

The list submitted by the outgoing Board of Directors and the lists submitted by the shareholders shall be deposited at the registered office of the Company by the end of the 25th (twenty-fifth) day before the date of the shareholders' meeting convened to resolve appointment of the members of the Board of Directors and must be made available to the public at the

Company's registered office, on its website, and with the other methods established by CONSOB [Italian securities and exchange commission] via regulation, at least 21 (twenty-one) days before the date of the shareholders' meeting concerned.

Every shareholder may submit or agree to the submission of only one list, and every candidate may list himself/herself on only one list, or otherwise shall be disqualified.

Only those shareholders who, alone or together with other shareholders, own voting shares representing at least 2% of the voting capital in ordinary shareholders' meetings, or representing the lower percentage determined by CONSOB pursuant to Article 147-*ter*, I C, of Legislative Decree no. 58/1998, shall be entitled to submit a list. In order to prove the aforesaid title a copy of the certificates issued by authorised intermediaries and proving ownership of a number of shares necessary to present the lists themselves is to be filed at the registered offices of the Company by the deadline established for publication of the lists.

Together with each list, within the term indicated above, professional resumes and statements are to be submitted in which each candidate accepts the nomination and attests, under his or her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the requirements of law and the articles of association prescribed for the position, and mentions the possibility of being qualified as independent pursuant to Article 147-*ter*, IV C, of Legislative Decree no. 58/1998. Furthermore, lists with three or more candidates must include candidates of different genders, as per the provisions in the notice of the Shareholders' Meeting, in order to allow the composition of the Board of Directors to comply with the regulations in force on the subject of gender equality.

Any lists which fail to observe the foregoing requirements shall be considered as not having been submitted.

All shareholders with voting rights may only vote one list.

Except as otherwise required by the below listed conditions for compliance with the minimum number of directors who, in accordance with applicable regulations, must meet the independence requirements or be appointed, where possible, by minority interests and in any case in compliance with the regulations in force on the subject of gender equality, the procedures indicated below are to be followed in electing the Board of Directors:

1) from the list that received the greatest number of votes in the Shareholders' Meeting, a number of directors corresponding to the number of members of the Board of Directors, less two are selected, based upon their order of priority on the list;

2) the remaining directors are elected from other lists; for this purpose, the votes received by the lists are divided by one and subsequently by two. The resulting quotients shall be progressively assigned to the candidates on each of these lists, according to the respective order of priority. The quotients assigned to the candidates on the various lists shall be arranged in a single list in decreasing order. Those who receive the highest quotient shall be elected. If quotients are even, the candidate on the list that has not elected any director shall be elected.

In the event of an equal number of votes and the same quotients, a new vote shall be held, and the candidate who receives the simple majority vote shall be elected.

It is understood that

(i) at least one director must be appointed from a list, if any, which is not connected, either directly or indirectly, with the shareholders who have presented or voted the list which has ranked first in the number of votes, and

(ii) at least one director appointed from the list which has obtained the majority of the votes at the shareholders' meeting, as well as at least one of the directors appointed from the list ranking second in the number of votes obtained, shall meet the independence requirements under Article 147-*ter*, IV C, of Legislative Decree no. 58/1998.

If the application of the procedure under items 1) and 2) above does not allow compliance with the regulations in force on the subject of gender equality, the quotient of votes attributable to each candidate from the list is calculated by dividing the number of votes obtained by each list by the position in the list of said candidates; the candidate of the most represented gender that has the lowest quotient out of the candidates from all the lists is replaced, in compliance with the provisions of paragraph (ii) above, by a person of the less represented gender, if any, that is indicated (with the next highest position in the list) in the same list as that of the replaced candidate; failing that, the relevant missing directors will be appointed in accordance with the procedure referred to in the second-last paragraph of this article. In the event that candidates from different lists obtain the same quotient, the candidate from the list from which the highest number of directors have been taken will be replaced or, alternatively, the candidate from the list that obtained the lowest number of votes or, in the event of an equal number of votes, the candidate that obtains the least votes by the Shareholders' Meeting in a special vote.

In order to appoint directors for any reason who are not appointed in the manner described above, the Shareholders' Meeting shall pass resolutions with the majority provided by law, without prejudice to the obligation to comply with the minimum number of directors who meet the abovementioned independence requirements as well as compliance with the regulations in force on the subject of gender equality.

If, during the course of the fiscal year, one or more directors cedes from his post, the procedures indicated in Article 2386 of the Italian Civil Code shall prevail in compliance with regulatory requirements relating to independent directors and gender equality.

ARTICLE 16 - MEETINGS OF BOARD OF DIRECTORS

The Board of Directors shall be convened by the Chairman or, if he/she is unable to do so, by the Vice Chairman, if any, or the Managing Director, if any, of by the oldest Director, and meetings are held at least quarterly and whenever considered necessary, or when a written request for a meeting is submitted to the Chairman, indicating the agenda, by at least two Directors or one permanent Statutory Auditor. Board meetings shall be held at the registered offices of the company or elsewhere, as indicated in the meeting notice. Board meetings may be held by teleconferencing or videoconferencing, provided that all participants may be identified by the Chairman and all other participants, and that they are able to follow the discussion and participate in real time in the deliberations, and that they are able to exchange documents regarding such deliberations, and that all of the foregoing is recorded in the minutes. If such circumstances are verified, the Board meeting is considered to be held at the location of the Chairman and where the Secretary of the meeting is, in order to be able to draft the minutes.

Notice of the meeting shall be sent by express mail, telegram, fax, e-mail to each Director and permanent Statutory Auditor at least 5 (five) days prior to the date scheduled for the meeting. In emergencies, the meeting notice may be sent at least 1 (one) day prior to the date scheduled for the meeting.
If the Chairman is absent or otherwise unable to preside, the Board meeting is presided over by the Vice Chairman, if any, or the Managing Director, if any, or by the eldest Director.
If the Secretary of the Board is absent, a Recording Secretary shall be appointed by the Board of Directors, and does not need to be a Director.
The Board of Directors and Board of Statutory Auditors are informed – also by delegated bodies – of the activity performed, general business performance, and expected business progress, and of the most importance transactions in business, financial and capital terms undertaken by the Company or by its subsidiaries. In particular, directors report on transactions in which they have an interest on their own account or that of third parties, or that are influenced by the party, if any, exercising the activity of management and co-ordination.
Information is provided in a timely manner and in any case on at least a quarterly basis, when Board meetings are held or via a written note.

ARTICLE 19 - POWERS OF THE BOARD - DELEGATION OF POWER

The Board of Directors is vested with the broadest power for ordinary and extraordinary management of the Company, and thus is authorized to perform all actions it considers appropriate for the furtherance and achievement of its corporate purpose, in Italy and abroad, excluding only those actions requiring the vote of a Shareholders' Meeting by law.
The Board of Directors is also competent to pass resolutions concerning:

- merger, in the cases envisaged by Articles 2505 and 2505/2 of the Italian Civil Code, and demerger in the cases when such rules are applicable;
- opening and closure of secondary registered locations;
- indication of which directors have powers of corporate representation;
- reduction of registered share capital in the case of withdrawal by shareholders;
- adaptation of company articles of association to regulatory requirements; - transfer of registered headquarters within national [Italian] territory.

The Board, whilst observing legally established limits, can, for the execution of its resolutions and for business management:

- create an Executive Committee, determining its powers and the number of its members;
- delegate appropriate powers, determining the limits of powers delegated, to one or more directors, possibly classified and titled as Managing Directors;
- appoint one or more General Managers and business attorneys, determining their attributions and powers.

The Executive Committee shall meet as frequently as is necessary based on the matters delegated to it by the Board of Directors, and whenever it deems a meeting appropriate. As regards the convening of Executive Committee meetings and the way in which they are held – including the quorum rendering the meeting valid and voting – the same rules are applied as for the Board of Directors.
The Secretary of the Board of Directors is also the Secretary of the Executive Committee. If she/he is absent, the recording Secretary is appointed by the Committee, and need not be a member.
The Board can also set up committees, formed by Board members, with consultative and propositive functions, determining their attributions and powers.
After the Board of Statutory Auditors has given its mandatory opinion, the Board of Directors may appoint and dismiss the officer responsible for the drafting of corporate accounting documents, determining his/her term of office. Only the persons who have at least three years of experience in a position with appropriate

responsibilities in the administration and/or finance department of the Company, or of companies which are comparable in terms of size or organisational structure, may be appointed as officer responsible for the drafting of corporate accounting documents.

The Board of Directors and its delegated bodies, if any, are also entitled, without requiring the permission of the Shareholders' Meeting,

- to perform all acts and transactions within their authority that may thwart the achievement of the objectives of a takeover bid or a share-for-share offer, from the notification, by which the decision or the emerging of the obligation to promote the bid/offer are made public, to the closure or forfeiture of the bid/offer itself;
- to implement decisions within their authority that have not yet been fully or partially implemented and that are outside the normal course of business of the Company, which were taken before the abovementioned notification and whose implementation may thwart the achievement of the objectives of the bid/offer.

ARTICLE 22 - STATUTORY AUDITORS

The Board of Statutory Auditors is composed of three permanent auditors and two alternate auditors appointed by the Shareholders' Meeting, which shall also establish their compensation. The duties and responsibilities of the Statutory Auditors are subject to current law. They are entitled to be reimbursed for expenses they incur in performing their duties.

In order to allow minority interests to elect a permanent auditor and an alternate, the Board of Statutory Auditors is appointed based upon a list submitted by shareholders pursuant to the following paragraphs, in any case without prejudice to the application of different and further provisions under mandatory legal or regulatory rules. The candidates must be listed progressively. The list consists of two sections: one for candidates for the position of permanent auditors, and the other for candidates for the position of alternate auditors. Lists that, taking both sections into consideration, have three or more candidates and compete for the appointment of the majority of members of the board of statutory auditors, must include, in the section relating to candidates for the position of permanent auditor, candidates of different genders in the first two positions of the list, as specified in the Meeting notice, in order to comply with the regulations in force on the subject of gender equality. In the event that the alternate auditors section of said lists indicates two candidates, these candidates have to be of different genders.

All statutory auditors must be registered in the Central Register of Legal Auditors as indicated under Heading III of Italian Legislative Decree no. 39 of 27 January 2010 and must have performed legal auditing of accounts for a period of not less than three years.

Only those shareholders who, alone or together with others, own voting shares representing at least 2% of the voting capital in the Ordinary Shareholders' Meeting, or representing the lower percentage determined by CONSOB pursuant to Article 147-ter, I C, of Legislative Decree no. 58/1998, are
entitled to submit lists.

The lists must be filed at the Company's registered offices by the end of the 25th (twenty-fifth) day before the date of the shareholders' meeting convened to resolve appointment of the members of the Board of Statutory Auditors.

In order to prove the aforesaid title, a copy of the certificates issued by authorised intermediaries and proving ownership of a number of shares necessary to present the lists themselves is to be filed with the registered offices of the Company by the deadline established for publication of the lists.

No shareholder, as well as shareholders belonging to the same group, may submit, personally or through a trustee, more than one list and vote for different lists. Each candidate may appear on only one list, or shall otherwise be disqualified.

Candidates who do not meet the ethical and professional requirements established in applicable legislation may not be included in the lists. Exiting statutory auditors may be re-elected.

Together with each list, within the term indicated above, the designated parties' professional resumes are lodged, plus the declarations with which each candidate accepts the nomination and attests, under his or her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the

requirements of law and the articles of association prescribed for the position. Any lists which fail to observe the foregoing requirements shall be considered as not having been submitted.

The procedures indicated below are to be followed in electing the Statutory Auditors:

1) two permanent members and one alternate are to be selected from the list that received the greatest number of votes in the Shareholders' Meeting, based upon the order of priority in which they are listed in the sections of the list;

2) the remaining permanent member and alternate member are to be selected from the list that received the second greatest number of votes in the Shareholders' Meeting and which is not connected, either directly or indirectly, with the shareholders who have presented or voted the list which has ranked first in the number of votes, based upon the order of priority in which they are listed in the sections of the list.

The chairman of the Board of Statutory Auditors is the candidate appointed from the second list, if any, that receives the greatest number of votes.

If the requirements of pertinent laws or the Articles of Association are not met, the statutory auditor is dismissed from the position.

In the event of replacement of a statutory auditor, the alternate auditor from the same list as the auditor being replaced shall be the substitute. If this replacement does not allow compliance with the regulations in force on the subject of gender equality, the second alternate auditor, if any, who belongs to the less represented gender and is appointed from the list of the replaced candidate, will be the substitute. In the event that enforcement of the procedures above does not allow compliance with the regulations in force on the subject of gender equality, a shareholders' meeting must be called as soon as possible in order to guarantee compliance with the terms of such regulations.

The foregoing requirements for appointing the Board of Statutory Auditors do not apply to the Shareholders' Meetings, which, according to law or by-laws, must appoint the permanent and/or alternate auditors and the chairman as necessary to compose the Board of Statutory Auditors following replacement or dismissal and for appointing auditors for any reason if they are not appointed in accordance with the previous paragraphs. In these cases, the Shareholders' Meeting is to proceed according to the quorum required by law, without prejudice to the requirement – where applicable – of Article 144-sexies, paragraph 12, of the Issuers' Regulation, adopted by CONSOB with its resolution no. 11971 of 14 May 1999 as well as in compliance with the regulations on the subject of gender equality and other applicable provisions of law.

For the purposes of the Ministry of Justice decree, dated March 30th 2000 no. 162, art.1, paragraph 3 it is established that publishing, advertising and other communication services, irrespective of its means or used device are activities that are covered by the purpose of the company.

Meetings of the Board of Statutory Auditors, should the Chairman ascertain that they are necessary, can be validly held by video conference or audio conference, on condition that all the participants can be identified by the Chairman and by all those in attendance, that they are allowed to follow the discussion and to intervene in real time in dealing with the arguments being discussed, that they are allowed to exchange documents relating to these matters and that note is made of all the above in the relevant minutes. When these conditions are met, the meeting of the Board of Statutory Auditors shall be considered held in the place in which the Chairman is located.

ARTICLE 23 – TRANSACTIONS WITH RELATED PARTIES

The Company approves any transactions with related parties in accordance with the provisions of law and regulations in force, its by-laws requirements and the procedures adopted on the subject.

The Procedure regarding Transactions with Related Parties can provide:

1) for the Board of Directors to approve the Significant Transactions, even despite the contrary opinion of a majority of Independent Directors, provided that i) the performance of the same has been previously authorized by the Shareholders' Meeting, pursuant to article 2364, paragraph 1, no. 5, of the Italian Civil Code; ii) a majority of the Shareholders not Related to the Significant Transaction, present at the Shareholders' Meeting and representing at least 10% of the voting capital, has not voted against the Transaction itself;

2) that, when the proposed resolution of the Board of Directors concerning the performance of a Significant Transaction to be submitted to the Shareholders' Meeting is approved with the contrary opinion of the Committee of Independent Directors or of the Board of Statutory Auditors, the Shareholders' Meeting may pass resolutions with the legal quorum, provided that the majority of Shareholders not related to the Significant Transaction, present at the Shareholders' Meeting and representing at least 10% of the voting capital, has not voted against the Transaction itself;

3) that, in case of urgency, Transactions with Related Parties, whether for approval by the board or by the shareholders' meeting, are concluded in exception to the provisions governing the Company's Procedure on Transactions with Related Parties, in compliance with the legislative and regulatory provisions on the subject.