



RenoDeMedici

Ordinary Shareholders' Meeting

28th April 2014 – 29th April 2014

Explanatory Report of the Board of Directors

**pursuant to article 3 of Ministerial Decree no. 437 of 5th November 1998 and article 125 *ter* of
Legislative Decree n. 58 of 24th February 1998**

Point 2 on the agenda – Appointment of Board of Directors

Dear Shareholders,

On the occasion of the Ordinary Shareholders' Meeting for the approval of the financial statements for the year ended 31st December 2013, called for 28th April 2014 at first call and 29th April 2014 at second call, will expire the Company's Board of Directors appointed by means of a resolution by Ordinary Shareholders' Meeting of 27th April 2011 for the three year period from 2011 to 2013.

You are therefore asked to (2.1.) appoint the Directors after establishing the number of its members and their term of office; (2.2.) decide on the annual remuneration due to the members of the Board.

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(2.1.) Appointment of the Board of Directors and its Chairman after establishing the number of its members and their term of office.

Dear Shareholders,

With reference to the number of Directors to be appointed, you are reminded that, in accordance with the terms of article 12.1. of the Article of Association, the Company is managed by a Board of 5 to 15 directors, whose term of office is three consecutive financial years expiring on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their term in office, whereupon they may be reappointed.

Therefore prior to electing the Board of Directors the Meeting must decide on the number of members to be appointed to the board, which should be no fewer than seven and no more than fifteen and on the term of office no more than three financial years.

As mentioned in the notification of the Meeting, the Board of Directors with the terms of article number 12 of the Company's Articles of Association, basing of lists presented by shareholders in which candidates must be assigned a sequential number.

The lists presented by shareholders and signed by the people presenting them must be lodged at the Company's registered office in Via Durini 16/18, Milan, in order that they may be made available to anyone making a request, at least twenty five days prior to the date established for the Shareholders' Meeting in first call and will be publicised by the other means provided by prevailing laws and regulations.

You are remind that each shareholder, shareholders who are members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/ 1998, the controlling entity or companies under common control pursuant to article 93 of Legislative Decree no. 58/ 1998, shall present, or shall take part in the presentation of, neither by intermediate third party or trustees, more than one single list, nor may they vote for any other list; no person may be a candidate in more than one list, failing which he or she shall be ineligible. The names of persons included in voting lists prepared in breach of the above and the votes cast in breach shall not be assigned to any list.

Only those shareholders who on their own or together with other presenting shareholders hold a total number of shares with voting rights that represent at least 2.5% of share capital with voting rights in the Ordinary Shareholders' Meeting in compliance with Consob's resolution number 18775 of 29th January 2014.

The following shall be lodged together with each list within the terms described above: (i) the statements made by the individual candidates in which they accept their nomination, affirm under their own responsibility that there are no reasons for which they are ineligible or incompatible with the position and confirm that they possess the requisites for the respective positions; (iii) a curriculum vitae of each candidate relating to his or her personal and professional characteristics, with a description as appropriate of the reasons justifying why he or she should be considered to be independent pursuant to article 148, paragraph 3 of Legislative Decree no. 58/1998.

Within the terms enacted for the publication of the lists by the Company, it shall have to file an appropriate certificate issued by an intermediary qualified pursuant to law that demonstrates the ownership of the number of shares required to present the list when it was filed at the Company.

Any lists presented without following the preceding requirements shall be considered as not having been presented.

The election of the Board of directors shall proceed as follows:

- a) all the directors except one shall be taken from the list obtaining the highest number of votes, in the sequential order in which they are stated in the list;
- b) the remaining director shall be taken from the minority list which obtained the second highest number of votes cast by the shareholders; this list shall not be connected in any way whatsoever, not even indirectly, with either the list referred to at paragraph a) or with those who presented or voted in favour of the list referred to at paragraph a).

To this purpose, any lists which fail to receive a number of votes equal to at least one half of those required to present the lists, as referred to at the eighth paragraph of this article, shall nonetheless not be taken into consideration.

If the candidates elected by the above-mentioned procedure are insufficient to ensure that the number of directors holding the independence requisite established for Statutory Auditors in article 148, paragraph 3 of Legislative Decree no. 58/1998 are appointed, which is equal to the minimum number established by law in relation to the total number of directors, the non-independent director who was elected last in the sequential order of the list obtaining the highest number of votes, as referred to in paragraph a) of the preceding paragraph, shall be replaced by the first, in sequential order, unelected independent candidate of the same list or, in default, by the first unelected independent candidate in sequential order of the other lists, on the basis of the votes they each obtained. This replacement procedure shall continue until the Board of directors consists of the number of members needed to hold the requisites called for by article 148, paragraph 3 of Legislative Decree no. 58/1998, equal to at least the minimum number provided by law. If this procedure is unable to ensure that the required result is obtained, then a replacement shall be found by passing a resolution by a relative majority at a General Shareholders' Meeting, upon the presentation for appointment of candidates holding the mentioned requisites.

If, moreover, with the candidates elected in the manner indicated above, the composition of the Board of Directors does not comply with the rules in force at the time regarding gender balance, the candidate of the better represented gender elected as last in sequential order in the list obtaining the highest number of votes shall be replaced by the first unelected candidate of the less represented gender from the same list according to the sequential order. This replacement procedure shall be carried out until it is ensured that the composition of the Board of Directors complies with the rules in force at the time regarding gender balance. Finally, if this procedure fails to produce the result indicated above, the replacement shall be made by a resolution passed by the Shareholders' Meeting by a simple majority, following the submission of nominations of individuals belonging to the less represented gender.

If a single list is presented, or no list is presented, the Shareholders' Meeting may decide on the basis of the legal majorities, without having to follow the procedure referred to above, and in such a way as to ensure the presence of the minimum number of independent directors provided for ByLaws and by law, as well as in compliance with the legislation in force regarding the gender balance.

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Dear Shareholders,

in light of the above, you are therefore asked to: a) establish the number of Directors and their term of office; b) appoint the Board of Directors, by expressing your vote in favor from the list submitted by you, either alone or together with other shareholders, or, if you have not submitted or seconded the submission of any list, by expressing your vote in favor of one of the lists submitted.

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(2.2.) Determination of the annual remuneration due to the members of the Board.

Dear Shareholders,

Finally, you are reminded that in accordance with the terms of article 12.21 of the Company's Articles of Association, you are asked to determine the remuneration due to the Board of Directors. The gross annual remuneration paid to each member of the Board of Directors currently in office, as determined by the Meeting of 27th April 2008 is Euro 180,000 for all nine Directors and Euro 20.000 for each Director, on a pro rata basis in proportion to the term effectively in office. The Board of Directors resolved to not submit you any proposal.

Milan, 18th March 2014.

On behalf of the Board of Directors

The Chairman

Signed by Robert Hall