

# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

prepared pursuant to article 123-bis of the Consolidated Finance Law and article 89-bis of the Issuers' Regulations

FINANCIAL YEAR 2010

Approved by the Board of Directors of Reno De Medici S.p.A.

at its meeting of 21 March 2011

[www.renodemedici.it](http://www.renodemedici.it)

# 1. GLOSSARY

Board	The Board of Directors of Reno De Medici S.p.A.
C.C.	The Compensation Committee of Reno De Medici S.p.A.
C.E.O.	Chief Financial Officer
Code	The Corporate Governance Code for listed companies approved by the Corporate Governance Committee in March 2006 and promoted by Borsa Italiana S.p.A.
Company/RDM	Reno De Medici S.p.A., having registered office at Via Durini 16/18, Milan, Italy
Consolidated Finance Law/TUF	Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented
Group	Reno De Medici S.p.A. and the companies it controls pursuant to article 2359 of the Italian civil code and article 93 of the Consolidated Finance Law
I.C.C.	The Internal Control Committee of Reno De Medici S.p.A.
Instructions to the Stock Exchange Rules	The instructions to the rules for the markets organised and managed by Borsa Italiana S.p.A.
Issuers' Regulations	The regulations relating to issuers published by Consob in resolution no. 11971 of 14 May 1999 as subsequently amended and supplemented
Market Regulations	The regulations relating to issuers published by Consob in resolution no. 16191 of 29 October 2007 as subsequently amended and supplemented
Report	This report on corporate governance and ownership structures pursuant to article 123-bis of the TUF
Stock Exchange Rules	The rules for the markets organised and managed by Borsa Italiana S.p.A.
Year	The financial year ended 31 December 2010

## 2. PROFILE OF THE ISSUER

RDM's organisation is based on the traditional model and complies with the requirements of laws and regulations on the matter of listed issuers.

It is structured in the following manner:

### 2.1. ORGANISATION OF THE COMPANY

#### • SHAREHOLDERS' GENERAL MEETING

This body is competent to adopt resolutions in ordinary or extraordinary session on the matters reserved for it by the law and by the Company's articles of association.

#### • BOARD OF DIRECTORS.

This body is granted the widest powers for the ordinary and extraordinary management of the Company, having the faculty to take all such actions as may be appropriate for achieving the corporate purpose, excluding those reserved - by the law or by the articles of association - to the shareholders' general meeting. It may therefore take all the action it believes suitable, including disposition, for reaching the corporate object.

#### • BOARD OF STATUTORY AUDITORS.

This body has the duty to supervise the following:

- that the law and the Company's articles of association are being complied with as well as the principle of proper management;
- that the Company's organisational structure, its system of internal control and its administrative and accounting system are adequate; this includes ensuring that the latter system is reliable for representing operations correctly;
- the means by which the corporate governance rules provided by codes of conduct prepared by companies managing regulated markets or by trade associations, which in public statements the Company declares it complies with, are implemented in practice;
- the adequacy of the instructions given to subsidiaries in respect of the information to be provided to satisfy communication obligations.

#### • AUDITING COMPANY.

Auditing is performed by a specialised company registered in the Consob roll, suitably appointed by the shareholders' meeting on the opinion of the Board of Statutory Auditors.

PricewaterhouseCoopers S.p.A. has been appointed to audit RDM. The company engaged to audit RDM is engaged in a similar manner in almost all of the members of the RDM Group.

### 2.2. OBJECTIVES AND BUSINESS MISSION.

It is RDM's intention to maintain and strengthen its position as a large-scale international competitor in the sector regarding cardboard produced from recycled materials.

In this respect the RDM Group is Italy's largest and Europe's second largest manufacturer in its sector.

The Group is present not only in Italy but also in Spain, France, Germany and the United Kingdom. The various types of cardboard produced by the Group are directed towards all the various uses to which it may be put in the packaging

and publishing sectors. RDM's products are offered to the market through a series of different commercial channels as a means of getting closer to customer needs and improving the efficiency of the service provided. Customer service is an essential value for RDM and the Company pursues the objective of responding to the requirements of both production and product usage, in this way becoming the ideal partner of converters and end users for guaranteeing quality, innovation and convenience.

RDM is also actively committed to the environment through its careful management of the energy and natural resources required in the production process. The closed cycle value chain for the product based on recycling represents a strength for the sustainability of the Group's operations.

RDM pursues its mission through strict compliance with the objective of creating value for its shareholders.

The steps and objectives assumed by the Company, which in conducting business and corporate activities it pursues through its directors, employees and collaborators, are realised in full compliance with the principles expressed in the Code of Ethics adopted by the Board of Directors which constitutes the basis and reference point of the Company's Organisational Model.

### 3. INFORMATION ON THE OWNERSHIP STRUCTURE AT 21 MARCH 2011 (AS PER ARTICLE 123-BIS, PARAGRAPH 1 OF THE TUF).

#### 3.1. SHARE CAPITAL STRUCTURE

AMOUNT IN EUROS OF SUBSCRIBED AND PAID-UP SHARE CAPITAL:

Euro 185,122,487.06 fully paid-up

CLASSES OF SHARES MAKING UP SHARE CAPITAL

- 377.471.413 ordinary shares each of nominal value Euro 0.49;
- 329.581 savings shares convertible into ordinary shares at the request of shareholders in February and September of each year.

	N° of shares	% of capital	Listed	Rights and obligations
Ordinary shares	377,471,413		Listed on the Electronic Stock Star Exchange (MTA)	Shares are registered and freely transferable. They grant attendance and voting rights at ordinary and extraordinary shareholders' meetings, dividend rights and the right to the refund of capital in the event of the winding up of the Company.
Savings shares	329,581			The holders of savings shares are not eligible to vote in either ordinary or extraordinary shareholders' meetings nor do they have the right to call such meetings. Shares confer dividend rights by the means established in the articles of association.
Shares with restricted voting rights	/	/	/	/
Shares not having voting rights	/	/	/	/

At the date of this report RDM had not issued any other classes of shares or any financial instruments which are either convertible or exchangeable for shares.

At the date of this report RDM had not approved any share-based incentive plans which could lead to increases in share capital, including bonus issues.

#### 3.2. RESTRICTIONS ON THE TRANSFER OF SECURITIES

At the date of this report the only restriction on the transfer of the Company's shares consists of the three-year lock-up period provided in the 2010-2011 financial instrument-based incentive plan for employees of the RDM Group as approved by shareholders in general meeting on 16 October 2009.

The restriction on circulation relates exclusively to any shares that the employee/beneficiary may own as a result of this plan.

Further information may be found in the Information Document as per article 114-bis of the TUF and article 84-bis of the Issuers' Regulations, a copy of which is published on the Company's website:

([www.renodemedici.it/investorrelations/documentieprospettiiinformativi](http://www.renodemedici.it/investorrelations/documentieprospettiiinformativi))

### 3.3. SIGNIFICANT HOLDINGS IN THE COMPANY'S CAPITAL.

At the date of this report, on the basis of the entries in the shareholders' register and taking into consideration any communications pursuant to article 120 of the TUF and other information received, the following parties directly or indirectly own shares in the Company equal to or exceeding 2% of share capital:

Declarer	Direct shareholder	% of ordinary capital	% of voting capital
Cascades Inc.	Cascades s.a.s.	40.021	40.021
Industria e Innovazione S.p.A.	Industria e Innovazione S.p.A.	9.072	9.072
Caisse de depot et placement du Québec	Caisse de depot et placement du Québec	5.418	5.418
Exeufis S.p.A. in liquidazione	Exeufis S.p.A. in liquidazione	5.512	5.512
Bonati Fabio	Bonati Fabio	2.530	2.530

### 3.4. SECURITIES GRANTING SPECIAL RIGHTS

The Company has not issued any securities which grant special control rights.

### 3.5. EMPLOYEE SHAREHOLDINGS: MEANS BY WHICH VOTES ARE EXERCISED

On 16 October 2009, the shareholders of RDM in general meeting approved an employee incentive plan in respect of which the Information Document prepared pursuant to article 114-bis of Legislative Decree no. 58/98 and pursuant to article 84-bis of the Issuers' Regulations and in particular in compliance with format 7 of annex 3 of the Issuers' Regulations has been drawn up and published; the plan may be consulted on the website [www.renodemedici.it/investorrelations/documentieprospettiinformativi](http://www.renodemedici.it/investorrelations/documentieprospettiinformativi) to which reference should be made.

Voting rights implicit in the shares acquired under this incentive plan belong to and are exercised directly by the owner of the shares.

### 3.6. RESTRICTIONS ON VOTING RIGHTS

At the date of this report there were no restrictions or conditions on the exercising of voting rights. There are no financial rights connected to securities that are separate from the ownership of such.

### 3.7. AGREEMENTS BETWEEN SHAREHOLDERS

On 13 September 2007, Alerion Industries S.p.A., Eurinvest Finanza Stabile S.r.l., IC (Industria della Costruzione) S.p.A., Cascades S.A. and Cascades Paperboard International Inc. entered a shareholders' agreement pursuant to article 122 of the TUF. Subsequently, on 13 December 2008, Alerion Industries S.p.A. sold its entire holding in RDM to Società Industria Innovazione S.p.A., which as a consequence became a party to the agreement.

After the undersigning there are the following changes:

- a) On December 13, 2008 Alerion sold the all owned shares to Industria e Innovazione S.p.A.;
- b) on 4 August 2010 IC (Industria della Costruzione) S.p.A. sold the all owned share sto Caisse de dépôt et placamento du Québec.

Both above mentioned companies adhered to the Shareholders' Agreement.

An excerpt of the Shareholders' Agreement currently in force is given below:

"Whereas

*It is divulged that between:*

- (i) *Alerion Industries S.p.A., with offices in Milan, at Via Durini no. 16/18, Shareholders' Capital Euro 148,041,689.75 fully paid up, entered in Milan Company Registry with the Italian Tax Identification Number 02996890584 (hereinafter called "Alerion");*
- (ii) *Eurinvest Finanza Stabile S.p.A., with offices in Milan, at Via San Damiano, no. 4, Shareholders' Capital Euro 24,248,784.56 fully paid up, entered in Milan Company Registry with the Italian Tax Identification Number 00739960151 (hereinafter called "Eurinvest");*
- (iii) *IC (Industria della Costruzione) S.p.A., with offices in Cernusco sul Naviglio (MI), at Strada Statale II Padana Superiore 2/b, Shareholders' Capital Euro 15.000.000,00 fully paid up entered in the Milan Company Registry with Italian Tax Identification No.03754580961 (hereinafter called "IC");*  
*(hereinafter Alerion, Eurinvest and IC are together called the "Current Shareholders")*
- (iv) *Cascades S.A.S., with offices in La Rochette (France), at Avenue Maurice Franck, Shareholders' Capital 36,916,00.00 fully paid, entered in the Trade and Company's Registry (Registre du Commerci et des Societes) with number 333512440, together with Cascades Paperboard International Inc., with offices in Montreal (Quebec) at 772 Sherbroke St. West (herein called together with Cascades S.A., "Cascades");*

*(the Current Shareholders and Cascades are hereinafter called the "Parties" together and "Party" individually on September 13, 2007, following the approval on said date of the merger of Cascades Italia S.r.l. by incorporation into Reno de Medici S.p.A. by the respective Boards of Directors (hereinafter "the Merger"), signed a Shareholder's Agreement (hereinafter called, the "Shareholder's Agreement") relative to the ordinary shares in Reno De Medici S.p.A., attributing in the form of a syndicate (hereinafter the "Syndicate") –in the amount specified below – the ordinary shares that the Parties shall hold as a result of the Merger.*

*The Shareholders' Agreement was subsequently amended in part by the Parties on January 10, 2008 to allow Alerion, Eurinvest and IC in the light of particularly advantageous market conditions to invest in further Reno De Medici S.p.A. shares.*

*On December 13, 2008 Alerion sold Industria e Innovazione S.p.A. (with registered office in Milan, at Galleria del Corso 1, Shareholders' Capital totalling Euro 570,000.00 fully paid up – VAT registration no. and Italian Tax Identification no. 06233810966). On the same date, Industria e Innovazione S.p.A. adhered to the Shareholders' Agreement and attributed to the same the abovementioned 34,157,528 ordinary shares.*

*A summary of the content of the Shareholders' Agreement is reproduced below.*

### **1. Companies' whose financial instruments are subject to the Syndicate**

*Reno De Medici S.p.A., with offices in Milan, at Via Durini 16/18, subscribed and paid-up Shareholders' Capital totalling Euro 185,122,487.06, subdivided into 377,800,994 shares with a par value of Euro 0.49 each 377,400,692 ordinary shares and 400,302 saving shares (hereinafter called the "Company"); the Company is listed on the Mercato Telematico Azionario (Telematic Share Market) organised and managed by Borsa Italiana S.p.A..*

### **2. Shares transferred into the Syndicate**

*The Shareholders' Agreement, signed pursuant to article 122 of the Italian Consolidated Financial Services Act paragraph 1 and paragraph 5, a) and b) concerns a total of 225,193,757 shares in the Company equal to 56.15% of the ordinary shares including those deriving from the Merger.*

2-b. *Subjects belonging to the Syndicate and holdings conferred.*

The following table indicates the number of shares conferred in the Syndicate by each of the Parties and the percentage represented thereby with regards to (i) the total number of the abovementioned shares and (ii) the total number of the ordinary shares in the Company.

In addition to the changes taking place in the second half of 2010 and more specifically until 8 October 2010, in respect of which the publication formalities required by the TUF and by the Regulation have already been satisfied, further changes occurred between 9 October 2010 and 31 December 2010 relating solely to the number and percentages of the financial instruments taken into the Shareholders' Agreement as a whole. As a result of these changes, the parties to the Shareholders' Agreement, the number of the Company's ordinary shares restricted by the Shareholders' Agreement and the respective percentages are the following at 31 December 2010:

Parties	no. of shares syndicated	% of shares syndicated	percentage of shares having voting rights
Cascades s.a.s.	149,702,393	66.48	39.66
Industria e innovazione S.p.A.	34,241,364	15.20	9.07
Exeufis S.p.A. in liquidation	20,800,000	9.24	5.51
Caisse de depot et placement du Quebec	20,450,000	9.08	5.42
<b>Total</b>	<b>225.193.757</b>	<b>100</b>	<b>59,66</b>

Following the signing of the Shareholders' Agreement and due to the Merger, none of the parties still hold the controlling interest in the Company. Pursuant to article 3 of the Shareholders' Agreement, each party has undertaken to attribute to the Syndicate all the further shares that should in any way derive from purchases, emissions free of charge, conversions or increases in Shareholder's Capital (hereinafter called "Shares Syndicated") without affecting the commitment of the Parties pursuant to article 4.3 of the Shareholders' Agreement not to buy new shares in the Company for any reason until the actual merger date.

### 3. *Exceptions to the Shareholders' Agreement*

On January 10 2008, the Parties made a partial exception to the commitments specified in Article 4.3 of the Agreement thereby allowing Alerion, Eurinvest and IC to acquire further Reno De Medici S.p.A. ordinary shares in such a way that the total investments held by said Parties in all cases remain below the 30% threshold of the ordinary Shareholders' Capital of Reno De Medici S.p.A. The purchase of the ordinary Reno De Medici S.p.A shares would only be allowed proportionally to the investments held by each of them, i.e.

- Alerion, for a maximum of 1,575,000 shares;
- Eurinvest, for a maximum of 962,500 shares;
- IC, for a maximum of 962,500 shares;

And so on for a maximum total of 3,500,000 Reno De Medici S.p.A. shares.

As exception to article 3 of the Shareholders' Agreement it is also agreed that any new shares purchased will not be conferred to the syndicate.



#### 4. Main agreements of the Shareholders' Agreement

##### 4.1. Commitments before the date the merger became effective and conditions of resolutions

- 4.1.1. *Extraordinary Shareholders' Meeting.* The Current Shareholders and Cascades undertake to vote in favour of the merger resolution at the extraordinary shareholders' meeting of the Company and Cascades Italia, respectively.
- 4.1.2. *Ordinary Shareholders' Meeting of the Company.* If an ordinary shareholders' meeting of the company is convened on a date between the date the merger deed is stipulated and the date the same becomes effective for taking resolutions on the appointment of the new Company bodies, the current shareholders undertake to take part in the vote at said assembly so that the new Board of Directors and/or the new Board of Statutory Auditors are appointed in compliance with the provisions of points 4.2.1 and 4.2.2 below.
- 4.1.3. *Conditions of resolutions.* The commitments undertaken by the parties in compliance with paragraphs 4.1.1 and 4.1.2 above as well as all the provisions of the Shareholders' Agreement are conditioned in terms of resolutions by the occurrence between the date of the signing of the Shareholders' Agreement and the date of the meeting of the Company and Cascades Italia called to take resolutions about the merger project in any of the following circumstances:
- i. *Consob (The Italian Stock Exchange Supervisory Body) has communicated negative opinions or anyway objections or doubts to the Parties regarding the application of the exemption from the public purchase offer obligation for the shares of the Company, as specified in art. 49 first paragraph f) of Regulations 11971/1999, to the merger and/or the Shareholders' Agreement; or*
  - ii. *the Comisión Nacional del Mercado de Valores has communicated to the Company that the merger and/or the stipulation of the Shareholders' Agreement causes the obligation of a public purchase offer of the shares in the Company in the Spanish market to arise; or*
  - iii. *a significant and exceptional change for the worse regarding the conditions (financial or otherwise), the assets, the liabilities, how the business is conducted, the profits, the outlooks or the company complex of Cascades Italia or the Company has occurred after the reference date of the respective balance sheets pursuant to article 2501 quater of the Italian Civil Code.*

##### 4.2 Company bodies

4.2.1. *Board of Directors.* The Company shall be administered by a Board of Directors with eleven members. For this purpose, the parties undertake to present jointly and vote a single list of eleven candidates consisting, in the order shown here, as follows:

- i. *1 candidate that shall be appointed managing director, he or she will be designated by common agreement among the Parties;*
- ii. *4 candidates including one with the requisites of independence, shall be designated by Cascades;*
- iii. *4 candidates shall be designated by the Current Shareholders and, in particular::*  
*2 candidates shall be designated by Alerion;*  
*1 candidate shall be designated by Eurinvest;*  
*1 candidate shall be designated by IC*
- iv. *2 candidates in possession of the independence requisites shall be designated by common agreement among the parties, without prejudice to the fact that if third party shareholders present a list that has the right to appoint a member of the board of directors of the company, said member will be elected in the place of one of the two candidates referred to in this point (iv).*

*Giuseppe Garofano will maintain the present office of Chairman of the Board of Directors for the first year of the Agreement, after which the chairmanship will be held, for the remaining term of the agreement, by a member designated by Cascades. The Deputy Chairman for the first year shall be appointed from among the members designated by Cascades after which this office will be held by the outgoing Chairman.*

4.2.1.1. *Significant matters.* The resolutions concerning the matters listed below must be adopted by a vote in favour of 7 (seven) directors:

- A. *any proposal to be submitted to the extraordinary shareholders' meeting that has as its subject or its effect the increase of the Company's Shareholders' Capital with the exception of proposals of reduction and simultaneous increase of the Shareholder's Capital pursuant to art. 2446 or 2447 of the Italian Civil Code;*

- B. any transaction involving the purchase, sale or hiring of companies, Company branches, assets including property or investments (including the purchase or the sale of treasury shares or the redemption of shares) constituting fixed assets the value of which for every single transaction or for a series of connected transactions (in other words functional for the implementation of the said transaction) is higher than Euro 10,000,000.00 (ten million);
- C. any proposal to be submitted to the shareholders meeting concerning the distribution of dividends and/or reserves, in any form, and/or transactions for the voluntary reduction of shareholders' capital or any resolution to distribute advances on the dividends.
- D. the taking on of loans, financing and other financial debts of any type with a due date longer than eighteen months, the value of which for the individual transaction or for a set of connected transactions (i.e. functional for the implementation of the said transaction) is over Euro 10,000,000.00 (ten million);
- E. appointment and revocation of the managing director and the administration and finance director as well as the allocation, modification and revocation of the powers conferred on parties holding said positions that at the time of the first appointment of the Managing Director shall conform with those in force on the date the Shareholder's Agreement was signed.
- F. remuneration of any type to the managing director of the Company and remuneration policies for the top management;
- G. approval of the strategic plans, annual and long-term budgets and variations of strategic importance to these plans and/or budget.

For the entire term of the agreement the Parties undertake not to contribute to amending article 15 of the company by-laws as they exist after the Merger, appended to the Merger project, that reflects the provisions of this point 4.2.1.1.

4.2.1.2. *Consulting Committees.* For the entire term of the Shareholders' Agreement, the remuneration committee and the internal auditing committee shall be appointed in such a way as to ensure the Current Shareholders and Cascades equal representation within said bodies.

4.2.2. *Board of Statutory Auditors.* For the purpose of appointing the members of the Board of Auditors, the Parties undertake to present together and vote on a single list of three candidates for the office of acting statutory auditor and two candidates for the office of substitute statutory auditor consisting, in the order shown here, of the following:

- (i) First acting statutory auditor with the function of the chairman designated jointly by Cascades and the Present Shareholders without prejudice to the fact that if third party shareholders present a list that has the right to appoint a member of the board of auditors of the RdM, with the function of chairman said member will be elected in place of the acting statutory auditor referred to in this point (i);
- (ii) 2nd and 3rd acting statutory auditor designated respectively by Cascades and by the Current Shareholders;
- (iii) 1st substitute statutory auditor designated by Cascades;
- (iv) 2nd substitute statutory auditor designated by the Current Shareholders.

### **4.3. Prior consultation and vote in the extraordinary shareholders' meeting of the Company**

For purpose of ensuring uniformity of intent and orientation in the management of the Company for the entire life of the Shareholders' Agreement, the Parties undertake, to consult with each other in good time before each ordinary and extraordinary shareholders' meeting of the Company to discuss and agree a common line of conduct in consideration of the aims of the Agreement, in good faith .

The Parties undertake to vote in common agreement in favour of any proposal submitted to the Company's extraordinary shareholders' meeting.

### **4.4. Lock up and transfers allowed**

4.4.1. Unless otherwise provided for by the Shareholders' Agreement, for a period of eighteen months from said Agreement coming into force (hereinafter the "Lock up Period"), each party has undertaken (i) not to transfer to others, even in part (a) the syndicated shares (b) securities that can be transferred into Company shares or, in the case of an increase in the Shareholders' Capital of the Company through payment (c) the relative option rights on the

new issue shares and convertible securities (the shares, securities and rights referred to in letters from (a) to (c) above, hereinafter the Relevant Securities); and (ii) with regard to the Relevant Securities not to initiate contracts for the transfer thereof even of a forward nature.

4.4.2. By way of partial exception to the provisions of point 4.4.1 above, each Party may transfer the Relevant Securities due to it to subsidiaries, parent companies or companies of common control entirely or in part, on the condition that the acquiring Company first of all adheres to the Shareholders' Agreement and without affecting the fact that the transferring party shall anyway continue to be obligated jointly for all the obligations deriving from the said Agreement.

4.4.3. By way of partial exception to what has been provided for in point 4.4.1 above, Alerion, Eurinvest and IC will be able to freely transfer the Relevant Securities due to them amongst themselves.

4.4.4. The parties shall be able to constitute rights of lien on the Syndicated Shares provided advance notice is given thereof to the other parties and providing the relative voting rights continue to be held by the party constituting the lien.

#### **4.5. Pre-emption and co-sales rights**

After the lock up period expires and for the residual period of the Shareholders' Agreement, the transfers of the Relevant Securities held by Cascades and the Present Shareholders are permitted only for the entire investment held thereby and in compliance with the pre-emption rights (hereinafter the "Pre-emption Rights") and, only for the Syndicated Shares, with the right of co-sale to a third party purchaser (hereinafter the "Right to Co-Sale") governed by the following paragraphs.

For the purposes of this paragraph 4.5, the Present Shareholders constitute a single party except where established differently.

4.5.1. If one party (hereinafter the "Transferring Party") intends to transfer the Relevant Securities on the market and/or to third parties, he shall communicate said intention (hereinafter the "Offer") to the other party (hereinafter the "Offeree")

4.5.2. Within sixty days of the day the Offeree receives communication of the Offer (hereinafter "Term for Acceptance") the Offeree shall be able to either exercise the pre-emption right or the co-sale right (hereinafter the "Acceptance").

4.5.3. In the case of an offer by Cascades, the Pre-emption Right can be exercised also by just a few of the Present Shareholders without affecting the fact that the Acceptance must concern all the Relevant Securities offered for pre-emption. In the case of transfer onto the telematic market, the price of exercising the Pre-emption Right shall be the same as the arithmetical average of the official stock-exchange closing price for the ten working days before the receipt of the Offer.

4.5.4. In the case of an Offer by Cascades, the Co-sale right can be exercised by the Current Shareholders individually or otherwise providing it is exercised for the entire amount each of them holds.

#### **5. Obligation of public purchase offer**

Each party undertakes not to make purchases of ordinary shares in the Company in an amount that is such as to determine the obligation to promote a public purchase offer pursuant to articles 105 et. seq. of Italian Legislative decree 58/1998.

#### **6. Term**

With the exception of the provisions of points 4.1.1 and 4.1.2 above that become effective from the date the Shareholder's Agreement is signed, said agreement shall be effective from March 1, 2008 (date the Merger becomes effective) and shall have a term of three years running from that date.

Starting from the date the Merger becomes effective the Shareholders' Agreement stipulated among the Present Shareholders on March 27, 2009 shall be considered terminated.

### 7. Registration

*The text of the Shareholders' Agreement is registered in compliance with legal requirements at the Milan Company Registry.*

At the date to approval of the Corporate Governance, the Shareholders' Agreement is expired.

### 3.8. CHANGE OF CONTROL CLAUSES

The Company has not entered any significant agreements that become effective, are modified or are terminated on the change of control of the contracting company.

The Company points out that the article number 9 of Incentive Plan for Management approved on 19 October 2009 provides that *'In the event of the announcement of a public offer on the shares of RDM and/or of operations which may lead to a Change of Control, the Board of Directors will be able to pay fully or partially the Bonus in advance and the CAP will not be applied'*.

### 3.9. INDEMNITY OF THE DIRECTORS IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL OR IN THE CASE THAT THEIR RELATIONSHIP CEASES FOLLOWING A PUBLIC TENDER OFFER

The Company points out that the information required by article 123-bis, paragraph 1 i) of the TUF is provided in the section of this report dedicated to directors' compensation. Up to the approval of this Report, in compliance with art. 7 of Code of Borsa Italiana S.p.A. the Company points out that there are not agreements about indemnity of the directors in the event of their resignation or dismissal or in the case that their relationship ceases following a public tender offer.

### 3.10. INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 1 L)

The regulations applicable to the appointment and replacement of directors and those relating to amendments to the Company's articles of association are set out in the section of this report dedicated to the Board of Directors.

The articles of association do not contain any provisions relating to amendments to the articles other than those to be found in prevailing laws and regulations.

In addition, in compliance with article 2365 of the Italian civil code, the articles of association delegate the responsibility to the Board of Directors to adopt resolutions to update the articles for the requirements of laws and regulations.

### 3.11. DELEGATIONS OF POWERS TO INCREASE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE TREASURY SHARES

At the date of this report no powers had been delegated to the Board of Directors pursuant to article 2443 of the Italian civil code to increase the Company's share capital and/or issue equity financial instruments other than shares.

At the date of this report shareholders in general meeting had not adopted any resolutions for the purchase of treasury shares pursuant to articles 2357 and following of the Italian civil code.

RDM did not hold any treasury shares at the date of this report.

### 3.12. MANAGEMENT AND COORDINATION

RDM is not subjected to management and coordination pursuant to and to the effects of articles 2497 and following of the Italian civil code.

## 4. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2 A) OF THE TUF).

### 4.1. INTRODUCTION

RDM complies with the Corporate Governance Code adopted by Borsa Italiana in March 2006. This Code is available on the website of Borsa Italiana ([www. borsa italiana.it](http://www.borsa.italiana.it)).

The corporate governance system adopted by the Company sets itself the primary objective of creating value for shareholders, with the awareness of the importance of transparency in the way choices are made and business decisions are arrived at and the need to set up an effective internal control system. The Company is constantly engaged in identifying and pursuing initiatives and steps designed to improve its corporate governance system. In carrying out this process of continuous improvement the Company pays attention to national and international best practice.

In compliance with applicable laws and regulations this report describes RDM's system of corporate governance and provides details of the practical means by which the Company implements the requirements of the Code.

### 4.2 MAIN CORPORATE GOVERNANCE TOOLS

Set out below is a list of the main corporate governance tools used by the Company, which also enable it to comply with the most recent provisions of laws and regulations, the provisions of the Code and national and international best practice:

- Articles of Association.
- Code of Ethics.
- The Organisational and Administrative Model as per Legislative Decree no. 231/01 and respective protocols and procedures.
- Internal Control Committee regulations.
- Regulations for transactions carried out with related parties.
- Regulations for managing privileged information and the establishment of a register of persons having access to that information.
- Internal Dealing Code.

## 5. INFORMATION ON THE IMPLEMENTATION OF THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE.

### 5.1. BOARD OF DIRECTORS

#### 5.1.1. APPOINTMENT AND REPLACEMENT

The Company is managed by a Board of Directors consisting of not fewer than seven and not more than fifteen members. From time to time before electing the board shareholders in general meeting determine the number of its members within such limits.

Directors are appointed for a term not exceeding three fiscal years and may be re-elected in accordance with article 2383 of the Italian civil code.

The appointment and replacement of members of the Board of Directors is governed by article 12 of the articles of associations that establishes: *"The Board of Directors shall be appointed on the basis of lists presented by shareholders following the procedure defined below, in which candidates shall be assigned a sequential number.*

*The lists presented by shareholders and signed by those presenting them shall be lodged at the Company's registered office at least fifteen days prior to that determined as the date of the Shareholders' Meeting in first call; the lists shall be made available to whoever makes a request and shall be subject to all the other forms of communication provided by the laws and regulations prevailing at the time.*

*Shareholders who are members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/1998, the controlling entity, a subsidiary or an entity under common control pursuant to article 93 of Legislative Decree no. 58/1998, may not present, or take part in the presentation of, including by intermediate third party or trustee company, 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 or, if different, the maximum percentage permitted by any applicable laws and regulations, shall be entitled to present lists.*

*The following shall be lodged together with each list within the terms described above: (i) an appropriate certificate issued by an intermediary qualified pursuant to law that demonstrates the ownership of the number of shares required to present the lists; (ii) 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.*

*Any lists presented without following the preceding provisions 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 cast by the shareholders, 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 the shareholders 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 in any case 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 by 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, failing that, 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 shareholders' meeting, subject to the presentation for appointment of candidates holding the mentioned requisites.*

*In the case that only one list is presented or in the case that no lists are presented at all, the shareholders' meeting shall pass resolutions with the majorities provided by law without following the above procedure.*

*Different or additional provisions of mandatory laws or regulations shall remain binding.*

*If one or more directors should fall from office at any time during the financial year, provided that the majority continues to consist of directors appointed by the shareholders' meeting, the provisions of article 2386 of the Italian civil code shall apply as follows:*

- a) the Board of Directors shall select the replacement from the members of the same list as that to which the former director or directors belonged, ensuring however that there is still the number of directors having the independence requisites called for by article 148, paragraph 3, of Legislative Decree no. 58/1998, equal to at least the minimum number established by law, and the shareholders' meeting shall adopt its resolution, with the majorities required by law, following the same criteria;*
- b) if there are no unelected candidates in the list referred to or if there are no candidates in the list having the requisites called for, or in any event when for whatever reason it is not possible to follow the requirements set out in paragraph a), the Board of Directors shall make the replacement, as shall the shareholders' meeting subsequently, with the majorities required by law in the absence of a list vote.*

*In any case the Board and the shareholders' meeting shall proceed with the appointment in order to ensure that the number of independent directors satisfies the total minimum number required by the laws and regulations prevailing at the time. Nevertheless, the shareholders' meeting may resolve that the number of the members of the Board be reduced to the number of the directors then in office for the remaining portion of their term.*

*If at least one half of the directors appointed by the shareholders' meeting should fall from office for any reason, then all the members of the Board shall be deemed fallen from office; in that case the directors still in office shall convene a shareholders' meeting forthwith to appoint a new Board.*

*In a similar manner the Board shall remain in office until the shareholders' meeting has adopted a resolution for its renewal; until that takes place the Board of Directors may only carry out acts having the nature of ordinary administration".*

Pursuant to article 13 the Board shall elect a chairman from among its members and may elect one or more deputy chairmen.

The Company is not obliged to respect any laws or regulations on matters of the composition and characteristics of the Board of Directors other than those provided by the TUF.

The resolution number 17633 dated 26 January 2011 of Consob confirmed the percentage of 2.5% of share capital with voting rights in the ordinary shareholders' meeting in compliance with article number 144-quarter TUF.

## 5.2 PRESENT COMPOSITION

The ordinary shareholders' meeting of 4 April 2008 determined in eleven the number of members of the Board of Directors currently in office, consisting of the following directors: Messrs. Giuseppe Garofano, Ignazio Capuano, Riccardo Ciardullo, Christian Dubé, Sergio Garribba, Laurent Lemaire, Mirko Leo, Vincenzo Nicastro, Carlo Peretti, Emanuele Rossini and Robert Hall (co-opted onto the Board following the resignation of Mr. Bernard Lemaire).

On 8 August 2010, Mr. Mirko Leo resigned as a member of the Board.

On 8 November 2010, the Board of Director has noticed the absence of candidature and decided to submit the appointment to next Ordinary Shareholders Meeting already called to 26th April 2011, in first call, and 27th April 2011 in second call.

The present Board of Directors is composed to 10 members and they remain in office until the ordinary shareholders' meeting called to approve the financial statements for financial year 2010. The Directors are shared in: 3 executive directors (as per the definition in the Code) and 8 non-executive directors, 3 of whom are independent.

Name	Office held
Christian Dubé	Chairman - Executive
Giuseppe Garofano	Deputy Chairman - Executive
Ignazio Capuano	Managing Director - Executive
Riccardo Ciardullo	Non-executive
Sergio Garribba	Non-executive -Independent
Robert Hall	Non-executive
Laurent Lemaire	Non-executive
Vincenzo Nicastro	Non-executive -Independent
Carlo Peretti	Non-executive -Independent
Emanuele Rossini	Non-executive

On 6 May 2010 the Board of Directors checked that the pre-requisites for independence held by the directors Sergio Garribba, Vincenzo Nicastro and Carlo Peretti still held.

Information regarding the personal and professional characteristics of the individual members of the Board of Directors is contained in the following short curricula vitae:

### Christian Dubé

Born in Canada in October 1956, he was awarded a degree in Business Administration from Laval University in 1979. Specialising in corporate finance and M&A, he worked for Domtar Inc from 1996, becoming the company's CFO in 1998, a position he held until 2004. Since 2004 he has been vice president and CFO of Cascades Inc..

### Giuseppe Garofano

Born in Nereto in 1944, he was awarded a degree in Chemical Engineering by the Milan Polytechnic in 1968. A member of the board of directors of numerous companies (including RAS and Mediobanca, and Previdente Assicurazioni of which he is the chairman), he started work in Montedison S.p.A. in 1980, becoming its chairman in 1990. He has been deputy chairman of Alerion Industries S.p.A. since 2002, a company operating in a variety of sectors including that of renewable energy. He is also chairman of the board of directors of Realty Vailog S.p.A. (a company listed with Borsa Italiana S.p.A.) and RCR Cristalleria Italiana S.p.A. and a member of the board of directors of Efibanca S.p.A. and Autostrada Torino – Milano S.p.A..



**Ignazio Capuano**

Born in Palermo in 1957, he took a degree in Hydraulic Engineering, following which he successfully attended an economic masters course at New York University. His working activities have been concentrated from the beginning in the strategic finance, planning and industrial development sector. General manager for Italy for the Saffa Group (subsequently merged with Reno De Medici S.p.A.) from 1998 to 2003, he then assumed the position of managing director of the RWE Italy, working in the energy and environmental development sector. He has been managing director of RDM since 2004 and chairman of Manucor S.p.A. (formerly Manuli Film S.p.A.) since 2007, a company producing packaging film.

**Riccardo Ciardullo**

Born in Polistena (RC) in 1966, he concentrates his activities in financial operations. Since December 2003 he has held the position, amongst others, of deputy chairman and managing director of Eurinvest Finanza Stabile, a financial holding company, and sole director of Cibik Broker House Leasing Veneto S.r.l..

**Sergio Garribba**

Born in Cles (TN) on 11 July 1939, he holds a degree in Nuclear Energy from the Milan Polytechnic, where he was an ordinary professor, and the University of California. Prof. Sergio Garribba is one of the leading experts in the energy sector. He has held numerous positions in this sector for various international organisations and has been an advisor to the Italian government on several occasions. He was director general of the Energy and Mineral Resources Department at the Ministry of Economic Development from January 2004 to November 2006 and is the joint author of a series of publications, including 20 books.

**Robert Hall**

Robert Hall holds a degree from the University of Sherbrooke in 1983. Before joining Cascades Group in 1994, Robert Hall was a partner with the law firm Byers Casgrain in Montreal. He has been a member of the Québec Bar continuously since 1984 and is a member of the CBA.

**Laurant Lemaire**

Born in Drummondville (Canada) on 2 January 1939, he was awarded a degree in Commerce by the University of Sherbrooke in 1962. In 1992 he became chairman and CEO of Cascades Inc., a position he handed over to his brother Alain in July 2003, becoming executive vice president. The numerous and important successes which he achieved as head of Cascades Inc. have led to his recognition in several ways by various Canadian institutions.

**Vincenzo Nicastro**

Born in Rome on 22 February 1947, he was awarded a degree in Law in 1970. A member of the board of directors and board of statutory auditors of several companies (including Realty Vailog S.p.A., Darwin Airlines S.A., Unicredito Italiano S.p.A. and Sitech S.p.A.), he currently provides consultancy to both public and private entities in the financial restructuring and corporate recovery fields. Since March 2006 he has been collaborating as counsel with the legal firm Agnoli-Bernardi e Associati.

**Carlo Peretti**

Born in Florence in 1930, he was awarded a degree in Electronic Engineering by the Turin Polytechnic. He began his working life in 1953 in Fatme Ericssons, a company working in the telecommunication sector. Following experience abroad, he began working for Olivetti in 1957, becoming its CFO in 1970 and chairman in 1985. He is currently chairman of Vodafone Omnitel N.V. and BTS S.p.A., and is also a member of the board of directors of Gancla S.p.A., ISPI S.p.A., Equinox Fondo Investimenti, Realty Vailog S.p.A. and others.

## Emanuele Rossini

Born in San Marino on 5 June 1965, he was awarded a degree in Business and Economics by Urbino University in 1991. CFO of Cartiera Ciacci S.A. and San Marino Strade S.A. since 1991, he has been collaborating with IBI S.p.A., a company working in the Corporate Finance and Investment Banking sector, since 1996. At the present date he is managing director of Demas S.A., IBS Fiduciaria S.p.A. and Istituto Bancario Sammarinese S.p.A..

At the date of this report, regards the particular skills of its Directors, RDM considered it unnecessary to select or define criteria regarding the maximum number of management and control positions in other companies that members of the Board of Directors may hold. The Company considered that the Directors are able to decide and evaluate all by themselves the correct number of taken offices and relative necessary care.

### 5.3. ROLE AND DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the Company. The Board may therefore perform any acts, including acts of disposition, it deems appropriate for the achievement of the Company's objects, to the exclusion only of any acts expressly reserved for the shareholders' meeting by law.

Without prejudice to the provisions of articles 2420-ter and 2443 of the Italian civil code, resolutions on the following matters, which must in any case be adopted in compliance with article 2436 of the Italian civil code, are the competence of the Board of Directors:

- mergers in the cases provided for by articles 2505 and 2505-bis of the Italian civil code, including those regarding demergers referred to by article 2506-ter of the Italian civil code;
- the opening or closing of secondary offices;
- the transfer of the registered office anywhere within the national jurisdiction;
- an indication of which directors shall have powers of legal representation;
- any capital reduction on a withdrawal; and
- amendments to be made to the articles of association for compliance with applicable laws and regulations.

Resolutions relating to any of the matters listed below are of the sole competence of the Board of Directors and must be adopted by a vote of seven directors in favour:

- a) any proposal to be submitted to an extraordinary shareholders' meeting whose subject or effect is an increase in the Company's share capital, with the exception of proposals to reduce and at the same time increase capital pursuant to articles 2446 and 2447 of the Italian civil code;
- b) any purchase, sale or leasing of businesses, parts of businesses, assets, including property assets or equity investments representing non-current assets (including the purchase or sale of treasury shares and the redemption of shares), whose value, for each individual transaction or for a series of linked transactions (or those functional to carrying out the same transaction), exceeds Euro 10,000,000.00 (ten million);
- c) any proposal to be submitted to a shareholders' meeting regarding the distribution of dividends and/or reserves, in whatever form, and/or voluntary reductions in share capital, or any resolution to distribute interim dividends;
- d) the stipulating of loans, mortgages or agreements regarding any other financial debt of any nature, having a term exceeding eighteen months and whose value, for each individual transaction or for a series of linked transactions (or those functional to carrying out the same transaction), exceeds Euro 10,000,000.00 (ten million);
- e) the appointment or revocation of powers of the managing director and the finance and administration manager, as well as the assignment, amendment or revocation of the powers granted to persons holding such positions;
- f) the compensation, in whatever capacity, paid to the Company's managing director and the remuneration policies for top management;
- g) the approval of strategic plans and annual and multi-annual budgets and changes of strategic importance to those plans and/or budgets.

The Board also has reserved for its exclusive competence the approval of large transactions and transactions with related parties. The criteria used to identify large transactions and transactions with related parties are contained in

the procedure on these matters adopted by the Board in 2006 (reference should be made to chapter 11 of this report in this respect).

The Board of Directors of RDM met on six occasions during 2009 with each meeting lasting an average of three hours.

On 21 January 2011, the Company issued a timetable which schedules the dates for five meetings of the Board of Directors in 2011. At the date of this report one meeting (namely that of 11 February 2011 regarding the approval of the interim report on operations at 31 December 2010) had already been held.

The financial calendar may be consulted on RDM's website.

Non-board members also took part in meetings of the Board of Directors in 2010, such as Mr. Guido Vigorelli in his capacity as Investor Relator; Mrs. Veronica Arciuolo as head of legal and corporate affairs, who also acted as the secretary to the Board, and Mr. Stefano Moccagatta as CFO and manager in charge of the preparation of the accounting records. In addition, from time to time the Board evaluates the need to have other people attend Board meetings, depending on the matters on the agenda, for the purpose amongst other things of availing themselves of persons with specific specialist skills.

All information relating to the compensation paid to the members of the Board of Directors is contained in chapter 8 of this report: Directors' Compensation.

At the date of this report no directors had communicated that they perform activities which compete with those of the Company. In this respect the shareholders' meeting has not provided general and prior authorisation to any of the exceptions to the prohibition to compete included in article 2390 of the Italian civil code.

At its meeting of 11 February 2011, the Board of Directors concluded that RDM's general organisational, administrative and accounting and administrative structure is adequate. In particular, the Board expressed a positive opinion on the implementation of, and changes made to, the accounting and administrative procedures prepared and adopted by the manager in charge during December 2009, considering them to be adequate for the characteristics of the Company.

At the same meeting, the Board of Directors came to the conclusion that the composition of the Board is adequate for the needs and size of the Company. To this end the specific skills of the executive directors in their respective product sectors were reviewed, together with the fact that all Board members, and in particular the independent directors, stand out for their high level of professional skill in the various sectors, as is shown by their curricula vitae.

#### 5.4. DELEGATED BODIES: CHAIRMAN, DEPUTY CHAIRMAN, MANAGING DIRECTOR

The Board of Directors may delegate its functions to an executive committee (provided by article 16 of the Company's articles of association) or alternatively to the chairman and/or other members of the board, appointing one or more managing directors. The delegated bodies may in their turn, as part of the functions assigned to them, delegate powers for single acts or categories of acts to employees of the Company and third parties, with the possibility of sub-delegation.

At the date of this report the Board of Directors had not appointed an executive committee. The Executive Directors are:

##### Chairman of the Board of Directors

Save absence or impediment the Chairman of the Board of Directors calls meetings of the Board, coordinates the activities of such meetings and leads the proceedings, ensuring that adequate and timely information is provided to the directors to enable the Board to express its opinion with the due required knowledge on the matters submitted for its assessment.

At its meeting of 5 May 2009 the Board of Directors assigned to the Chairman, Mr. Christian Dubè, all the powers provided by the law and by the Company's articles of association to represent the Company with respect to third

parties and in a court of law, specifying that he may carry out any act which taken on its own does not lead to a payment, a withdrawal or an investment exceeding Euro 10,000,000.00. Despite the fact that operational powers have been assigned to the Chairman of the Board of Directors he should not be considered to be the principal person in charge of the management of the Issuer, as this role is carried out by the Managing Director.

#### Deputy Chairman of the Board of Directors.

In the event of the absence and/or impediment of the Chairman, the Deputy Chairman convenes the Board of Directors and chairs meetings of the Board. On 5 May 2009 the Board of Directors appointed Mr. Giuseppe Garofano as Deputy Chairman and assigned to him all the powers provided by the law and by the Company's articles of association to represent the Company with respect to third parties and in a court of law, specifying that he may carry out any act which taken on its own does not lead to a payment, a withdrawal or an investment exceeding Euro 10,000,000.00, subject to prior agreement with the Chairman, also informally.

The Chairman and the Deputy Chairman provide all information to Board and Statutory Auditors in case of exercise of their powers.

#### Managing Director

At its meeting of 4 April 2008 the Board of Directors appointed Mr. Ignazio Capuano as Managing Director, granting him the widest powers of ordinary and extraordinary management, excluding those which the law or the Company's articles of association specifically reserve for the shareholders' meeting or for the Board collegiately. Such powers may be exercised by sole signature for transactions not leading, singly, to spending commitments exceeding Euro 10,000,000. The Board also delegated the Managing Director with the task of supervising the technical and manufacturing operations of the Company.

Pursuant to the Company's articles of association and in compliance with the requirements of article 150 of the TUF, the Managing Director reports to the Board of Directors and the Board of Statutory Auditors at least on a quarterly basis, and in any event at meetings of the Board, on the activities he has performed, on operational performance in general, on the outlook for operations and on the most significant transactions of an economic, financial or capital nature, and in any case the most significant due to their size or features, carried out by the Company and its subsidiaries; in particular, the Managing Director reports on transactions in which he has an interest, on his own behalf or on behalf of third parties, and on any abnormal or unusual transactions or related party transactions which are not reserved for the sole competence of the Board. This information is provided, in general, at the same time as the Board of Directors approves the periodic accounting information (the financial statements, the half-year report and the quarterly reports).

In 2009 this information was reported by the Managing Director to the Board of Directors and to the Board of Statutory Auditors on a quarterly basis, at the same time as the Board of Directors approved the periodic accounting information (the financial statements, the half-year report and the quarterly reports) and is included in the minutes of the individual meetings.

As part of the information he provides on a periodic basis to the Board, the Managing Director also furnishes members with adequate, specific and detailed information on various different aspects of the Company and the Group (even if not strictly connected with its core business), with the aim of increasing the directors' knowledge of the business reality and the events taking place.

### 5.5. NON-EXECUTIVE DIRECTORS

The Board consists for the most part of non-executive members (as it lacks delegated operational powers and/or executive functions within the business), in order to ensure that in terms of number and authoritativeness their opinion may have a significant weight when board decisions are taken.

The non-executive directors bring their specific skills to board discussions, thereby encouraging an examination of the matters being discussed from different viewpoints and accordingly leading to decisions being taken to adopt resolutions which are meditated, informed and in line with the corporate interest.

With the exception of the Chairman, the Deputy Chairman and the Managing Director, the other 7 members of the Board are all non-executive.

#### 5.6. INDEPENDENT DIRECTORS

As a means of implementing the provisions of the Code, at its meeting of 6 May 2010 the Board of Directors made an assessment on the basis of the information provided by the individuals concerned or in any case that available to the Company as to the independence of the directors acting in that role. This assessment was performed at a Board meeting but in the absence of the members concerned. The Board of Statutory Auditors checked that the criteria and procedures followed by the Board for assessing whether the independence requirements continued to exist were adequate and suitable.

The independent directors met on three occasions in 2010, noting that there were no matters to be brought to the attention of the Corporate Bodies.

#### 5.7. LEAD INDEPENDENT DIRECTOR

At the date of this report a lead independent director had not been appointed as the premises of the Code were not applicable.

#### 5.8. DOCUMENTATION AND INFORMATION FOR THE BOARD OF DIRECTORS

The Chairman of the Board of Directors ensures that the directors are provided with adequate and timely information so as to enable the Board to express its opinion with the appropriate knowledge on the matters being submitted for its assessment.

To this purpose, although an explicit procedure does not exist, it is customary for RDM to send the supporting documentation for Board meetings to each director and statutory auditor at least three days prior to the date for which the meeting has been called. In cases of urgency, and only these, the documentation is made available as soon as possible. When the Chairman considers it appropriate with regard to the matter to be discussed and the related resolution, the documents containing the information may be provided directly during the meeting, with prior notice of this being given to the directors and the statutory auditors. Considering that some Directors are Canadians, all documentations is provided also in English language.

## 6. PROCESSING OF CORPORATE INFORMATION

The Board of Directors has approved the procedures - which incorporate the recommendations of Consob and Borsa Italiana and the laws and regulations implementing the European Market Abuse Directive - which establish the requirements for communicating privileged information to the public and define the rules for acquiring the data and information from subsidiaries needed to provide adequate and timely information to the Board and to the market on events and circumstances which could end up being privileged information.

The Code of Conduct on the subject of internal dealing is available on the Company's website.

### 6.1 Procedure for the external communication of privileged information

The Board has approved a procedure for the "Maintenance and updating of the register of persons having access to privileged information in RDM", in accordance with the provisions of article 115-bis of the TUF.

This procedure, incorporating the provisions of the Issuers' Regulations, determines the following:

- (i) the means and terms by which persons are entered in the register and possibly subsequently cancelled from the register, being those persons who due to their working or professional activities or due to the functions they perform on behalf of RDM have access to privileged information on a regular or occasional basis;
- (ii) the means by which the person concerned is informed that his or her name has been entered in or cancelled from the register, together with the related reasons.

During the 2010 the Internal Audit verified that the Procedure is adequate.

### 6.2 Internal Dealing

The Board has additionally approved the "Procedure relating to the identification of significant parties and to the communication of transactions performed by such parties, including those carried out through intermediaries, whose subject is shares issued by RDM S.p.A. or financial instruments linked to these".

This procedure was drawn up to comply with article 114, paragraph 7 of the TUF.

In compliance with the mentioned Procedure, on 27 August 2008 the Board appointed Mrs. Veronica Arciuolo as Manager in charge of Registry.

## 7. INTERNAL BOARD COMMITTEES

An Internal Control Committee and a Compensation Committee have been created within the Board of Directors for the purpose of enhancing the effectiveness and efficiency of the proceedings of the Board.

Taking into consideration the fact that the present list vote mechanism ensures that there are transparent appointment procedures and a balanced composition of the Board, guaranteeing in particular the presence of an adequate number of independent directors, the Board of Directors has considered it unnecessary to create a committee within the Board to deal with proposals for the appointment of directors.

## 8. COMPENSATION COMMITTEE

### 8.1. COMPOSITION OF THE COMPENSATION COMMITTEE

The Compensation Committee consists of four non-executive directors, two of whom are independent.

The members of the Compensation Committee are as follows: Mr. Riccardo Ciardullo, who acts as the committee's chairman, Mr. Robert Hall, Mr. Vincenzo Nicastro (independent) and Mr. Carlo Peretti (independent).

In order to avoid tied votes as the consequence of increasing the size of the committee to 4 members, the Board of Directors resolved at its meeting of 3 August 2009 that in cases of this nature the Chairman has the casting vote.

The Committee met on one occasion in 2010, with all of its members attending. The average duration of the meetings was one hour. The Directors cannot participate to the Remuneration Committee's meeting.

The meetings of the Compensation Committee were properly registered in minutes.

### 8.2. FUNCTIONS OF THE COMPENSATION COMMITTEE

In accordance with the Corporate Government Code, the Compensation Committee has the duty to present proposals to the Board regarding the remuneration of directors having specific positions, monitoring that the decisions taken by the Board are implemented, assessing on a periodic basis the criteria adopted to determine the remuneration of managers with strategic responsibilities, where such exist, supervising their application on the basis of the information provided by the managing directors and drawing up general recommendations for the Board of Directors on this subject.

There are not Strategic Managers in compliance with the requirements of TUF and R.E. excepting Mr. Capuano as CEO.

The establishment of this committee ensures that the most ample and transparent information on the compensation due to directors having specific positions is available, together with the respective means by which it is determined. It is nonetheless specified that in compliance with article 2389, paragraph 3 of the Italian civil code, the Compensation Committee has the sole function of making proposals, whereas the power of determining the compensation paid to directors having specific positions remains in all cases with the Board of Directors after consultation with the Board of Statutory Auditors.

In accordance with its assigned duties, the Compensation Committee carried out Mr. Dube's contract in 2010.



## 9. DIRECTORS' COMPENSATION

### 9.1. COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS

The directors' compensation has been approved by shareholders in general meeting.

On 4 April 2008 shareholders in general meeting adopted a resolution to pay total gross annual compensation of Euro 110,000.

A resolution for the compensation of executive directors, also by virtue of the provisions of article 2389 of the Italian civil code, was adopted by the Board of Directors on the proposal of the Compensation Committee and with the favourable opinion of the Board of Statutory Auditors.

Through a resolution adopted on 16 October 2009, shareholders in general meeting approved an incentive plan based on financial instruments as per article 114-bis of the TUF addressed to the Company's management, whose beneficiaries include the Chairman, the Deputy Chairman and the Managing Director. At the date of this report, the Chairman, the Deputy Chairman and the Managing Director, together with certain managers, are important (but not strategic) for the Group,

The plan consists of the free of charge granting to the Beneficiaries (as defined and identified in the respective Information Document) of non-transferable phantom shares that will entitle the holders to receive a cash bonus in 2011 if a specified level of business performance is achieved at the end of 2010.

The Information Document drawn up and published pursuant to article 114-bis of Legislative Decree no. 58/98 and pursuant to article 84-bis of the Issuers' Regulations and in particular in compliance with format 7 of annex 3 of the Issuers' Regulations, containing detailed information on the plan, may be consulted on the Company's website ([www.renodemedici.it/investorrelations/documentieprospettiiinformativi](http://www.renodemedici.it/investorrelations/documentieprospettiiinformativi)), to which reference should be made.

Following the approval of the above-mentioned plan and the consequent granting of the phantom performance shares, the annual variable compensation linked to reaching certain specific business objectives and assigned to the Managing Director in a resolution passed by the Board of Directors on 13 May 2008 has been amended to Euro 250,000.00 (compared to the previous figure of Euro 500,000.00) on the proposal of the Compensation Committee dated 1 September 2009 and approved by the Board at the same date. In addition, by means of a resolution adopted on 13 May 2008, again on the proposal of the Compensation Committee, the Board mandated its Chairman and the Chairman of the Board of Statutory Auditors to select and determine annual objectives and verify whether these have been achieved.

Details of the amount of the compensation received by the members of the Board of Directors in 2010 are provided in the notes to the annual financial statements pursuant to article 78 of the Issuers' Regulations.

The compensation of non-executive directors is not linked to the Company's results.

These directors are accordingly not the beneficiaries of the above-mentioned incentive plan nor do they benefit from any other compensation of an incentive nature. Such persons are solely entitled to the compensation established by shareholders in general meeting on 4 April 2008 for all the members of the Board of Directors.

Non-executive directors who are also members of one or both of the internal committees of the Company's Board of Directors (the Internal Control Committee and the Compensation Committee) also receive an additional fee, determined by the Board. All compensation is paid over the term in office on a temporal basis.

Reference should be made to the specific table included in the notes to the financial statements, that are available on the Company's website [www.renodemedici.it/investorrelations/bilancieresocontiintermedi](http://www.renodemedici.it/investorrelations/bilancieresocontiintermedi), for detailed information regarding the compensation paid, in any capacity and form, including that paid by subsidiaries, to the individual members of the Board of Directors.

## 9.2. INDEMNITIES DUE TO DIRECTORS IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF THE RELATIONSHIP FOLLOWING A PUBLIC TENDER OFFER

At the date of this report no agreements have been stipulated between RDM and the directors that provide for an indemnity in the event of resignation, dismissal/revocation without just cause or the termination of the employment relationship following a public tender offer.

# 10 INTERNAL CONTROL COMMITTEE

## 10.1. COMPOSITION OF THE COMMITTEE

On 11 May 2007 the Board set up an Internal Control Committee within its structure.

The Internal Control Committee has three non-executive and independent members, of whom one (Mr. Vincenzo Nicastro) has appropriate experience in accounting and financial matters.

The present Internal Control Committee, appointed by a resolution of the Board of Directors adopted on 4 April 2008, consists of: Mr. Carlo Peretti - Chairman, Mr. Vincenzo Nicastro and Prof. Sergio Garribba.

The Internal Control Committee met on four occasions in 2009. The average duration of the meetings was two hours.

Members of the Board of Statutory Auditors also took part in the proceedings of the Committee. In addition, depending on the agenda, the Managing Director, the CFO, the Head of Legal Affairs, the Internal Control Officer and the Auditing Company, are also invited to attend, amongst other things to report on the individual items on the agenda.

The meetings of the Compensation Committee were properly registered in minutes.

## 10.2. FUNCTIONS ASSIGNED TO THE INTERNAL CONTROL COMMITTEE

The Committee's functions are of a propositional and consulting nature with respect to the Board of Directors and relate to matters regarding the supervision of the general performance of the Company's operations.

An effective system of internal control acts as a contribution to ensuring that the Company's assets are safeguarded, that business operations are efficient and effective, that financial information is reliable and that laws and regulations are complied with. In performing its functions the Committee has access to all the information and business functions it may deem necessary, assessing the adequacy of the internal control system with respect to the business's characteristics and ensuring that its assessments and decisions relating to the internal control system, the approval of the financial statements and half-year reports and relations between the issuer and the external auditor are supported by adequate processes of enquiry.

More specifically, the Committee has the task of checking the extent to which the internal control system is working and its adequacy, as well as verifying that internal procedures and directives are being followed, in order to ensure that the Company is being managed in a sound and effective manner and to detect, prevent and manage to the extent possible financial and operational risks and harmful fraud to the Company.

The following specific functions of the Committee are highlighted by way of example:

- examining the issues and matters important for controlling business operations;
- assessing the work programme prepared by the Internal Control Officer and receiving his periodic reports;
- assessing together with the Company's administrative heads and the auditors the appropriateness of the accounting principles that may be applicable and their consistency for the purposes of preparing the consolidated financial statements;
- supervising the effectiveness of the audit;
- assessing the audit programmes and the results of the work of the auditors stated in their opinion and management letter;
- reporting to the Board of Directors, on at least a six-monthly basis at the meetings held to approve the draft financial statements and the half-year report, on the work performed and the adequacy of the internal control system;
- performing any other duties that may be assigned by the Board of Directors.

As part of its periodical checks on the adequacy and effective working of the organisation structure regarding the internal control system the Committee performed the following during the year:

- it reviewed and agreed with the Internal Control Officer an updating of the business risk analysis, assessing the steps and measures taken by the Company to mitigate the effect of such risks and checking the adequacy and effective working of the organisational structure and the effective working of the organisational structure as concerns the internal control system;
- it discussed with the Internal Control Officer the most significant findings, the reasons underlying these matters and any difficulties encountered by the Committee in carrying out its work;
- it checked that subsidiaries have adopted an adequate Organisational and Administrative Model as per Legislative Decree no. 231/01;
- it reviewed the updating of the Organisational and Administrative Model as per Legislative Decree no. 231/01;
- it reviewed the 2010 audit programme for the Company and the Group, checking the principal results;
- it reviewed the 2010 audit programme;
- it arranged to carry out the checks for which it is responsible in connection with the preparation of the interim management report and the half-year report, including in this holding meetings with the auditing company, informing the Board as to the outcome of such checks and providing recommendations;
- it checked the adequacy and effective application of the accounting principles used and their consistency in connection with the preparation of the consolidated financial statements;
- it reviewed the results of the activities performed by the Company to check whether the requirements of Law no. 262/2005 were satisfied.

In addition, the Committee also reviewed the main business risks and the measures taken to prevent, monitor and control such risks.

Between 1 January 2010 and the date of this report the Internal Control Committee reported to the Board on 26 March 2010, 3 August 2010 and 8 November 2010.

In compliance with the new Regulation of Operation with Third Parties, the Internal Committee is appointed as Committee for the approval of these operations in case of the Independent Directors are 3.

On the matter of Legislative Decree n. 39/2010, during the meeting of 3 August 2010, the Board analyzed the proposal of Internal Committee about the specific areas for which the Internal Control Committee established within the Board of Directors is responsible and those for which the Board of Statutory Auditors is responsible in its new role as the Internal Control and Audit Committee. In particular, the Board of Directors of Reno De Medici S.p.A. decided that there are not incompatibility between the internal control Committee and Statutory Auditors considering that the committee allows the board to benefit from support of a preliminary nature on certain matters and in substance it ends up in having a consultative and propositional function, while the role of the board of statutory auditors is characterised by being a check after the event. Moreover, considering the relationship of mutual collaboration that exists between the Internal Control Committee and the Board of Statutory Auditors, given that the various professional skills of which these bodies are composed can only turn out to be beneficial for Reno De Medici and without altering the fact that any changes to the system of allocation may be reviewed in the light of any guidelines and/or indications of best practice that may be issued on the matter, the Board of Directors approved that the existing allocations should be left unaltered, given the various objectives, duties and scopes of responsibility assigned to the two bodies.

The Committee has its own budget for carrying out the duties assigned to it.

In addition, pursuant to its regulations, the Committee may avail itself of the assistance of internal employees and external professionals, at the Company's cost, for carrying out its duties.

# 11. INTERNAL CONTROL SYSTEM

## 11.1. INTRODUCTION

RDM is aware that financial information has a central role in the creation and maintenance of positive relations between the business and the range of parties with which it comes into contact and that together with business performance it contributes to creating shareholder value.

RDM is similarly aware that investors rely on management and all of the Company's employees to comply fully with the system of rules making up the Company's internal control system.

An internal control system is a set of rules, procedures and organisational structures designed to permit a business to carry out its activities in a manner which is sound, proper and consistent with predetermined objectives and to prepare suitable, accurate and reliable corporate accounting documents through an adequate process of identifying, measuring, managing and monitoring its principal risks.

Such an internal control system, in the separate parts of which it is composed, provides a contribution to ensuring that the Company's assets are safeguarded, that business operations are efficient and effective, that financial information is reliable and that laws and regulations are complied with.

In connection with internal control RDM has prepared, and keeps updated, a suitable system which is entrusted with the task of ensuring that accurate corporate information is produced and that there is adequate control over all of the Group's activities, with specific attention being given to the areas considered to be at the greatest risk. More specifically, the objectives assigned to the Group's internal control system may be summarised as follows:

- ensuring that business activities are performed effectively and efficiently;
- guaranteeing that accounting entries are reliable and accurate and that business assets are safeguarded;
- ensuring compliance with external laws and regulations and company rules.

The basic elements of the internal control system set up by the Company, which are subjected to constant monitoring and updating, are the following:

- the segregation of duties and functions in performing so-called critical transactions;
- the traceability of transactions;
- the management of decisional processes on the basis of criteria that are objective to the greatest extent possible.

This system is realised by means of procedures, organisational structures and controls implemented by RDM and the Group's operational companies within the most significant business processes in terms of risk. The types of control implemented may be analysed as follows:

- automatic or manual line controls of a preventive nature with respect to the individual transaction and those of a corrective nature;
- controls of a managerial nature concentrating on the performance of the business and individual processes compared to forecasts.

Added to these types of control, entrusted to the responsibility of management by area of individual competence, are the activities performed by the internal audit function, which is entrusted with the duty of ensuring that the auditing activities of RDM and, starting from 2010, those of the Group, are carried out on the basis of the annual and multi-annual audit programmes.

At its meeting of 12 February 2011 the Board of Directors concluded that RDM's general organisational, administrative and accounting and administrative structure is adequate. In particular, the Board expressed a positive opinion on the new accounting and administrative procedures prepared and adopted by the manager in charge during December 2009, considering them to be adequate for the characteristics of the Company.

## 11.2. EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS REGARDING THE FINANCIAL INFORMATION PROCESS

The system for managing financial information process risks should not be considered separately from the corresponding internal control system as these are elements of the same control and risk management system, which in turn forms part of the overall system of internal control whose aim is to detect, prevent and monitor overall business risks.

This system is designed to ensure that financial information is trustworthy, accurate, reliable and timely.

## 11.3. DESCRIPTION OF THE MAIN FEATURES OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM REGARDING THE FINANCIAL INFORMATION PROCESS

Underlying the administrative and accounting procedures conforming to Law n. 262/05 is an analysis of the risk that intentional and non-intentional errors inherent in the processes leading to the formation of financial information may occur. As a consequence, in order to define such a system, the areas of risk where events may occur that compromise the reliability of financial information are identified and assessed.

On the basis of the identification and assessment of the risk areas, the elements of internal control relating to financial information are analysed by means of:

- an overall summary analysis, with particular emphasis being placed on the components of control that regard the reliability of the financial information;
- an analysis of each operating process relating to significant items of the financial statements, for financial information purposes, through a matrix correlating the objectives identified in the process activities and the controls associated with these.

The system is developed in the following macro-stages:

- risk identification and assessment;
- assessment of the adequacy of control activities.

In addition, the following activities are assigned to specific functions (internal audit):

- checking the working of the internal control system;
- monitoring the control system and its evolution.

### Risk identification and assessment

Risks are identified with respect to financial statement assertions (existence and occurrence, completeness, rights and obligations, measurement and recording, presentation and disclosures) and other control objectives such as for example that authorisation limits are complied with, that incompatible duties are segregated, that controls over physical security are in place, that assets and documentation exist and that transactions are traceable.

### Assessing the adequacy of control activities

Specific controls are identified on the basis of an assessment of the risks, and these may be separated into the following two macro-types:

- controls that apply to the business organisation as a whole, which being common to the entire organisation being assessed and going across the board represent structural elements of the financial information internal control system;
- specific controls at a process level.

At a Group level it should be noted that a Manual was distributed to all Group companies in December 2009, in view of the upcoming preparation of the annual financial statements, which contains guidelines and a description of the

processes and controls to be used for preparing the reporting package and the statement issuing by relative directors.

Controls of a "specific" nature were identified at a process level such as checking on the basis of supporting documentation that the proper accounting entries had been made, that the authorisations required had been given, that accounting reconciliations had been prepared and that consistency checks had been performed.

The specific control activities were performed with respect to both the 'ordinary' processes carried out during the year and the 'non-ordinary' processes carried out mainly during interim and year-end closures.

Extraordinary transactions were also subjected to specific control procedures involving a suitable level of management.

Control procedures, in particular those relating to the 'ordinary' processes, are to a large extent based on the existence of an adequate information system.

Specific procedures exist for preparing consolidated information, including those of a computer-based nature, and these are updated in relation to business needs and monitored by the structure in charge. Consolidated information is received from the various Group companies and processed at the central offices of the Consolidated Financial Statements Department.

#### Checking the working of the internal control system

Specific monitoring activities exist to check and ensure that the system of internal control over financial information is working; these are carried out by the parties in charge of the processes (the process owners) and by third parties who are independent with respect to the processes (internal audit).

#### Monitoring and the control system and its evolution

In order to ensure that the system is adequately monitored, the "design" of its components is systematically assessed and renewed, in each case on the occurrence of significant events and new risk highlighted by the process of risk assessment.

In further detail the existing administrative and accounting procedures were updated in 2009 and two new protocols were introduced.

The working of the controls described in the procedures managing the administrative and accounting system is assessed by means of specific testing carried out by internal audit.

Any weaknesses in the design or the working of the controls are reported to the process owner and the manager in charge of the preparation of the corporate accounting records in order for remedial action to be organised; a check is then performed to ensure that this has been implemented.

Pursuant to paragraph 5 of article 154-bis of the TUF the manager in charge of the preparation of the corporate accounting records together with the Managing Director sign a statement confirming the adequacy and effective application of the administrative and accounting procedures used in the formation of the annual and consolidated financial statements and all other communications of a financial nature.

### **11.4 EXECUTOR DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM**

On 4 April 2008 the Board of Directors nominated the Managing Director, Mr. Ignazio Capuano, as the executive director in charge of supervising the working of the internal control system. The director in charge of supervising the working of the internal control system focused his work during the year on the following:

- a) identifying the main business risks, taking into account the characteristics of the Company's activities;

- b) promoting and checking the adequacy of the internal control system;
- c) updating the Organisational and Administrative Model as per Legislative Decree no. 231/01 and relative protocols.

## 11.5. INTERNAL CONTROL OFFICER

An important role in the internal control system is performed by the Internal Auditor, who also has the role of Internal Control Officer.

The Internal Control Officer must:

- (i) ensure that the supervisory activities as per Legislative Decree no. 231/2001 are being performed;
- (ii) update the system for identifying, classifying and assessing risk areas for the purpose of planning testing;
- (iii) carry out scheduled (the programme approved by the Supervisory Body) and unscheduled checks, identifying any gaps with the models adopted and drawing up proposals for the corrective measures to be taken;
- (iv) ensure that relations with the auditing company are maintained;
- (v) maintain relations with the Supervisory Body, the Internal Control Committee and the Board of Statutory Auditors and ensure that information flows with these bodies are taking place.

The Officer has free access to the data, documents and information that may be needed for carrying out testing procedures.

At the date of the preparation of this report Mrs. Serena Monteverdi held the position of Internal Control Officer and Internal Auditor.

## 11.6. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

With regard to the coming into force of Legislative Decree no. 231 of 8th June 2001, as subsequently amended and supplemented, which has introduced a special system of company liability for certain crimes, the company has taken the necessary measures (in accordance with the provisions of the aforesaid Decree) to avoid the emergence of such liability on its part, by setting up special control systems designed to prevent certain kinds of crime.

In particular, on 28th September 2005 the Company's Board of Directors approved an "Management, Organisational and Control Model under Legislative Decree 231/01" (hereinafter the "Model") that complies with the requirements of the same Decree, and is drawn up on the basis of Confidustria's guidelines. The thus-approved Model was then the subject of certain updates, approved by the Board of Directors on 27th August 2008 and on 5th November 2009, also considering the result of legislative developments, during the year 2009, regarding the Legislative Decree no.231/2001 (L.99/2009 and L.116/2009) and changes to the Company's organizational structure, a process for the revision of the Model has been initiated.

The current Model is composed of a general part and number 8 special parts.

The general part deals basically with the Supervisory Body (hereinafter the "Supervisory Board") and the flows of information that have to be supplied to said Body, as well as the reporting by the Supervisory Body to the company organs; it also deals with staff training, the divulgation of the Model within the company environment, and the system of penalties for failure to observe the provisions of the Model.

Each special part, one section for each type of crime foreseen by the decree and abstractly applicable to the reality in which the company operates, which are: (i) crimes against the Public Administration; (ii) company crimes; (iii) market abuse; (iv) crimes related to occupational safety; (v) crimes related to receipt and laundering of illegal moneys; (vi) computer crime; (vii) crimes related to cross-border organised crime; (viii) crimes related to obstructing industry and commerce. The special part of the Model lists the areas of risk for each of the categories of crime, it establishes the specific decisional protocols and regulations governing conduct for those operating in the aforesaid risk areas, and it defines the monitoring procedures.



In accordance with what is provided in Article 6 of the aforementioned Decree, on 27th June, 2006, the Board of Directors decided to set up a Supervisory Body with a collegiate structure.

More specifically, this body currently consists of two independent directors and a member of the Company having particular and specific skills on Legislative Decree no. 231/2001 matters.

The Body met three times in 2010 with the consistent attendance of all of its members.

The average duration of the meetings of the Supervisory Body was 3 hours and members of the Board of Statutory Auditors, the Internal Control Officer and, depending on the matters on the agenda, members of the Company also attended.

The Supervisory Body autonomously approves its supervisory programme on an annual basis; this includes testing the adequacy of the Model and performing compliance checks on the Model.

## 11.7. AUDITING COMPANY

PricewaterhouseCoopers S.p.A. has been engaged to perform auditing activities; the company was appointed by shareholders in an ordinary general meeting on 30 April 2006 for a term commencing financial year 2006 (two thousand and six) and ending financial year 2011 (two thousand and eleven), up to the approval of the financial statements for the year ending 31 December 2011 (two thousand and eleven).

## 11.8 MANAGER IN CHARGE OF THE PREPARATION OF THE CORPORATE ACCOUNTING RECORDS

On 13 November 2008, following the receipt of a favourable opinion from the Board of Statutory Auditors, the Board of Directors appointed Mr. Stefano Moccagatta, RDM's Financial and Control Manager, as the manager in charge of the preparation of the corporate accounting records.

Pursuant to article 21 of the Company's articles of association the body having competence for making such appointment is the Board, subject to the obligatory requirement to obtain an opinion from the Board of Statutory Auditors. Under article 154-bis of the TUF the manager concerned must have acquired experience totalling at least three years in the following:

- a) administration and control activities or managerial duties in joint stock companies whose share capital is not less than two million euros, or
- b) professional activities or being on the university teaching staff in connection with legal, economic, financial and scientific-economic matters strictly connected with business and the functions that the manager in charge of the preparation of the corporate accounting records is called to perform, or
- c) executive functions in public entities or public administration bodies operating in the credit, financial and insurance sectors or in any case in sectors strictly connected with the business sector.

In compliance with the requirements of prevailing laws and regulations, the manager in charge of the preparation of the corporate accounting records has prepared and implemented adequate administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and any other communications of a financial nature.

Together with the Managing Director the manager in charge of the preparation of the corporate accounting records has additionally represented in reports attached to the statutory financial statements, the consolidated financial statements and the half-year report that:

- (i) the above-mentioned administrative and accounting procedures were adequate and actually applied during the period to which the accounting documents relate;
- (ii) the contents of such documents have been prepared in accordance with the international accounting standards applicable in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

- (iii) the documents correspond to the results of the accounting books and records and that they are suitable for providing a true and fair view of the financial position, results and cash flows of the Company and the set of entities included in the consolidation;
- (iv) the report on operations included with the statutory financial statements and the consolidated financial statements contains a reliable analysis of the performance, the results from operations and the situation of the Company and the set of entities included in the consolidation, and a description of the main risks and uncertainties to which they are exposed;
- (v) the interim operational report included with the half-year report contains a reliable analysis of the information required by article 154-ter, paragraph 4 of the TUF.

The provisions governing the responsibility of directors with respect to the duties assigned to them are also applicable to the manager in charge of the preparation of the corporate accounting records, save any action that may be taken that is based on his employment relationship with the Company.

## 12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

With reference to related-party transactions, the Board of Directors formally approved the "Procedure for Related-Party Transactions" on 8 November 2010.

The Procedure was prepared and adopted in conformity to the Rules adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently modified and supplemented.

The new Procedure seeks to interpret the primary intent of the law by increasing the protection of minority shareholders and of other interested parties by combating possible abuses deriving from transactions in potential conflict of interest with related parties (such transactions include, but are not limited to, mergers, acquisitions, divestments, increases of reserved capital). The key points of the Procedure are:

- a) strengthening the role of independent directors in all steps of the decision-making process for related-party transactions;
- b) methods to ensure transparency;
- c) the obligation to notify the Supervisory Authority and the public;
- d) the clear identification of transactions of lesser importance based on type of transaction as well as on economic significance, setting the threshold of € 25,000.00 for such purpose.

The new Procedure took effect on 1 January 2011.

Its principal elements are:

- 1) identification of the party related to the Company ("**Related Party**"). In conformity to the provisions of Annex 1 to the Consob Rules, a subject is deemed a related party if:
  - (a) he/she directly, or indirectly through subsidiaries, trust companies, or third parties:
    - (i) controls the Company, is controlled by it, or is subject to joint control of the Company;
    - (ii) holds a stake in the Company sufficient to exercise a significant influence over same;
    - (iii) exercises control of the Company jointly with other persons;
  - (b) it is an affiliate of the Company;
  - (c) it is a joint venture in which the Company participates;
  - (d) he/she is a member of the Board of Directors, of the Board of Auditors, is the Responsible Officer pursuant to Art. 154.bis TUF, is a manager with strategic responsibilities of the Company or of its parent company;
  - (e) he/she is a close relative of one of the individuals referred to at letters (a) or (d);
  - (f) it is a body in which one of the subjects referred to at letters (d) or (e) exercises control, joint control, or significant influence, or holds, directly or indirectly, a significant stake (not less than 20%) of voting rights;
  - (g) it is a complementary, collective, or individual pension fund (Italian or foreign) formed for the benefit of the employees of the Company or of any other body related to it.
- 2) Identification of Transactions of Greater Importance, i.e.:
  - (i) transactions in which at least one of the following Relevance Indexes (adopted in conformity to the provision referred to in Annex 3 of Consob Resolution 1722/2010, as subsequently modified and supplemented), applicable depending on the specific operation, exceeds the 5% threshold;
  - (ii) transactions with the parent company listed (if any) or with subjects that are related to the latter in turn related to RDM, where at least one Relevance Index exceeds the 2.5% threshold;
  - (iii) transactions that may influence the Company's management independence (including decisions regarding intangible assets) or decisions that may regard activities or assets of strategic importance for the Company, where at least one Relevance Index exceeds the 2.5% threshold. Evaluation of the strategic importance of given activities or assets is entrusted without exception to the Board of Directors, which resolves with regard to same from time to time at the request of even just one of its members or at the request of the Board of Auditors.

- 3) Definition of Transactions of Lesser Importance: all transactions that cannot be defined as transactions of greater importance are defined as transactions of lesser importance;
- 4) Identification of Cases of Exclusion and of Exemption from Procedures Defined for Related-Party Transactions:
- 5) Formation of Committee for Related-Party Transactions and Relative Requirements of Independence. Reference is made to § 10.2. of this Report, which specifies that when there are three Independent Members and such Members form the Internal Control Committee, the latter Committee is also delegated the functions of the Committee for Related-Party Transactions;
- 6) Adoption of Specific Procedures for Approval of Related-Party Transactions and Relative Disclosure: contained in the Procedure.

The Procedure for Related-Party Transactions was approved at the Board of Directors meeting on 8 November 2010 and is available on the Company's website at: [www.renodemedici.it/governance/codiciinterni](http://www.renodemedici.it/governance/codiciinterni).

## 13. APPOINTMENT OF STATUTORY AUDITORS

Article 19 of the Company's articles of association establishes that the standing and substitute members of the Board of Statutory Auditors are to be elected by a list vote procedure.

More specifically, this article provides for the following:

*"The lists shall bear the names of one or more candidates, to which a sequential number is assigned, and shall indicate whether a person is a candidate for the position of standing auditor or substitute auditor.*

*The number of candidates on the list shall not exceed the number of Board members to be appointed.*

*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 or, if different, the maximum percentage permitted by any applicable laws and regulations, shall have the right to present lists.*

*No shareholder, shareholders who are members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/1998, controlling entity, subsidiary or company under common control pursuant to article 93 of Legislative Decree no. 58/1998, shall present, or shall take part in the presentation of, either by intermediate third party or a trustee company, 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.*

*The lists presented by shareholders and signed by those presenting them must be lodged at the Company's registered office at least fifteen days prior to that determined as the date of the Shareholders' Meeting in first call, and mention of this shall be made in the notification of the meeting, without altering in any way the other forms of communication provided by the laws and regulations prevailing at the time. Shareholders must lodge at the Company's registered office a copy of the certificates issued by authorised intermediaries to demonstrate that they are the owners at the date of lodging the lists of the number of shares required to do this, in compliance with prevailing laws and regulations.*

*In the case that at the end of the term for presentation only one list is lodged or in the case that lists are only presented by shareholders related on the basis of the provisions of applicable laws and regulations, lists may only be presented up until the end of the fifth day following that date. In that case the thresholds established by the articles of association for the presentation of lists are reduced by one half.*

*The following shall be lodged with each list at the Company's registered office within the terms for lodging the lists: (a) summarised information regarding the presenting shareholders (including the total percentage of shares held); (b) a statement by the shareholders - other than those who hold, including jointly, a controlling or relative majority interest in the Company - declaring that they have no relationship as envisaged by applicable laws and regulations with such shareholders; (c) exhaustive details of the professional and personal characteristics of each candidate; (d) statements with which each candidate accepts his or her nomination, affirms under his or her own responsibility that there are no reasons for which they are ineligible or incompatible with the position and confirms that he or she possesses the requisites called for by prevailing laws and regulations to be appointed as statutory auditors; and (e) a list of any management or control positions held by each candidate in other companies.*

*The first two candidates on the list obtaining the highest number of votes shall be elected as standing auditors together with the first candidate on the list obtaining the second highest number of votes that shall not be connected, even indirectly, with the shareholders who presented or voted in favour of the list obtaining the highest number of votes.*

*The first candidate for the position as substitute auditor on the list obtaining the highest number of votes and the first candidate for the position as substitute auditor on the list obtaining the second highest number of votes pursuant to the preceding paragraph shall be elected as substitute auditors.*

*In the case of a tied vote between two or more lists, the eldest candidates shall be elected as statutory auditors until all the positions have been filled.*

*The candidate of the list that obtained the second highest number of votes shall be the Chairman of the Board, in all cases in accordance with the matters described in the preceding paragraphs.*

*In the case that only one list is presented or in the case that no lists are presented at all, the candidates named in the single list shall be elected as standing and substitute auditors or, respectively, those voted into office by the shareholders' meeting, on the assumption that they obtain the relative majority of the votes of such meeting.*

*If any auditor so appointed fails to meet the integrity and professional requirements under the applicable regulations or under these articles of association, then he or she shall be deemed fallen from office forthwith.*

*In the case that a standing statutory auditor is to be replaced, the resulting vacancy shall be filled by the substitute auditor included in the same list as that of the statutory auditor to be replaced or, in default, in the case that the auditor to be replaced is a statutory auditor of the minority, by the candidate included next in the same list as that of the auditor to be replaced or, in order, by the first candidate of the list of the minority that obtained the second highest number of votes.*

*It remains unaltered that the Chairman of the Board of Statutory Auditors shall be the auditor of the minority.*

*If the shareholders' meeting is required to appoint standing and/or substitute statutory auditors to complete the number of auditors for the Board of Statutory Auditors the procedure is as follows: if auditors elected from the majority list are to be replaced, the appointment is made on a relative majority of votes and does not depend on the lists; if, however, auditors elected from a minority list are to be replaced, the meeting replaces them on a relative majority of votes, making their selection from the candidates included in the list of the auditor to be replaced, or alternatively from the candidates included in the minority list obtaining the second highest number of votes.*

*If it is not possible, for whatever reason, to replace the auditors designated by the minority by applying this procedure, the shareholders' meeting shall hold a vote whose result shall be determined on the basis of a relative majority; the result of this vote shall exclude, however, the votes of the shareholders who, on the basis of the notifications made pursuant to prevailing regulations, hold, either indirectly or jointly with other members of a shareholders' pact pursuant to article 122 of Legislative Decree no. 58/1998, the majority of the votes that may be cast in the shareholders' meeting, as well as those of the shareholders that control, are controlled by or are under the common control of the same".*

## 14 STATUTORY AUDITORS

### 14.1. PRESENT COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors currently in office was appointed by shareholders in general meeting on 28 April 2009. At that date the percentage of capital required to present a list was 2.5% of shares having voting rights in ordinary general shareholders' meetings.

At the end of the respective term only one list was lodged, that of the shareholder Industria ed Innovazione S.p.A. (a party to the shareholders' agreement discussed in paragraph 3.7).

In compliance with prevailing laws and regulations and the Company's articles of association, lodged together with the list were the curricula vitae of the candidates containing details of their professional and personal characteristics, a list of any management or control positions held by each candidate in other companies and a statement by each candidate that there are no reasons for which he or she is ineligible or incompatible with the position and that he or she possesses the requisites to be appointed as statutory auditors called for by prevailing laws and regulations, the Company's articles of association and the Corporate Governance Code.

The list consisted of the following names:

- Prof. Sergio Pivato, born in Milan on 13 November 1945
- Mr. Carlo Tavormina, born in Rome on 24 October 1964
- Mr. Giovanni Maria Conti, born in Milan on 4 October 1964
- Mr. Domenico Maisano, born in Milan on 4 June 1969
- Ms. Myrta De Mozzi, born in Vicenza on 1 March 1971

The candidates on the sole list lodged were elected with a vote in favour of 57.106% of capital with voting rights.

The term of the Board currently in office expires on the approval of the financial statements for the year ending 31 December 2011. The Board is made up as follows:

Member	Position
Sergio Pivato	Chairman
Giovanni Maria Conti	Standing Auditor
Carlo Tavormina	Standing Auditor
Myrta De Mozzi	Substitute Auditor
Domenico Maisano	Substitute Auditor

### 14.2 MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

The Board held 10 meetings in 2010.

The following table provides details of the attendance of each Statutory Auditor at meetings of the Board of Statutory Auditors and meetings of the Board of Directors held in 2010.

Member	Attendance at meetings of the Board of Statutory Auditors	Attendance at meetings of the Board of Directors
Sergio Pivato	10/10	4/5
Giovanni Maria Conti	10/10	5/5
Carlo Tavormina	10/10	5/5

All absences were duly justified.

### 14.3. ROLE AND DUTIES

In addition to the duties assigned to it by the law, by holding periodic meetings the Board of Statutory Auditors also supervises the procedures carried out by the auditing company and provides its prior approval to any additional engagements that may given to the auditing company by the Company and Group companies, in accordance with article 160 of the TUF.

During its work the Board

- (i) supervised the independence of the auditing company, verifying that the provisions of laws and regulations in this respect had been complied with and checking the nature and size of the non-audit services provided to the Company and its subsidiaries by the auditing company and the entities belonging to its network;
- (ii) interfaced with the internal audit function and with the ICC in carrying out its activities by means of specific meetings and by taking part at all of the meetings of the ICC and the Supervisory Body;
- (iii) provided an opinion at meetings of the Board of Directors when requested;
- (iv) during its checks on 6 May 2010, acknowledged the assessments made by the Board of Directors and attested that the criteria and verification procedures adopted by the Board to assess the independence of its members were properly applied;
- (v) supervised that the internal control system was being applied.



## 15. SHAREHOLDER RELATIONS

The specific business function "Investor Relations" has been established owing to the importance - emphasised by the Code - of creating a continuing and professional relationship with the shareholders as a whole and with institutional investors.

First and foremost this function provides the key elements for enabling the financial market to obtain a perception of the Company which is consistent with the intrinsic value of the Group's activities.

RDM has adopted a communications policy aimed at establishing constant dialogue with institutional investors, shareholders and the market and at ensuring that complete, accurate and timely information about its activities is published on a regular basis, with the sole limitation being the need for confidentiality which certain types of information may present.

RDM acts in order to maintain constant dialogue with the market with regard to the laws and regulations on the circulation of privileged information.

Disclosure to investors, the market and the press is ensured by issuing press releases, holding periodic meetings with institutional investors, the financial community and the press and making the very latest documents available on the Company's website ([www.renodemedici.it](http://www.renodemedici.it)).

Relations with investors, shareholders and financial analysts are maintained by the person in charge of Investor Relations, Mr. Guido Giuseppe Vigorelli, who avails himself of the collaboration of Image Building S.p.A..

Periodic financial statements and information relating to significant events and transactions are released to the public on a timely basis, including by publication on the Company's website.

The website also includes the Company's press releases, corporate governance documents, documents distributed during meetings with financial analysts, notices to shareholders and information and documents concerning matters on the agenda of shareholders' meetings.

### Contact

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## 16. SHAREHOLDERS' MEETINGS

A properly constituted shareholders' meeting represents the shareholders, and its resolutions, adopted in compliance with the law and the Company's articles of association, bind all shareholders.

During the calling, the scheduling and the managing of shareholders' meetings special attention is given to encouraging the highest level of attendance by shareholders and to ensuring that the maximum level of quality of information is provided to them on these occasions, allowing for the restrictions relating to price sensitive information and the means by which it is circulated.

Pursuant to article 10 of the Company's articles of association, as modified on 8 November 2010 in compliance with the Legislative Decree n. 27/2010 "A Shareholders' Meeting is called by a notice contained the information in compliance with the regulation in force to publish conforming to law terms: - in the Company's website;

- *when necessary by mandatory provision or by Directors' resolution in the Official Gazette of the Italian Republic, or in one of the following daily newspapers: Il Sole 24 Ore, MF - Milano Finanza, Finanza & Mercati;- by the others procedures laid down also by the regulations prevailing at the time. The notice to convene may also contain the date of a Shareholders' Meeting to be held in second call or, in the case of an Extraordinary Shareholders' Meeting, third call. The relevant provisions of law and the Company's Articles shall apply to how Shareholders' Meetings shall be attended. The proxy to attend the Shareholders' Meeting could be notified to the Company also sending the document to e-mail address stated in the notice."*

The shareholders' meeting is chaired by the Chairman of the Board of Directors or, in the case of his absence or impediment, by a Deputy Chairman or, in the case of his absence or impediment, by another person designated by the meeting.

It is the Chairman's responsibility to establish who is entitled to attend the meeting and to verify the validity of proxies, and to resolve any disputes which may arise in this respect. The Chairman may delegate this task to others.

It is the Chairman's responsibility to direct the discussion and establish the voting order and procedures (votes are always held openly). In this respect the Company has considered it unnecessary to draw up and approve regulations for shareholders' meetings.

The Chairman is assisted by a secretary designated by the meeting. A secretary's assistance is not required when the minutes of the meeting are taken by a notary.

The resolutions adopted by a shareholders' meeting are included in a minute signed by the Chairman and by the secretary or notary.

One ordinary shareholders' meeting was held in 2010.

The Board reports to shareholders' meetings, at the very least to the meeting held to approve the annual financial statements, on the activities it has performed and those that are planned, and in any case when it considers this to be appropriate. In order to allow shareholders to come to informed decisions on matters for which the shareholders' meeting is competent, the Board publishes detailed reports on each matter on the agenda (for those matters for which it has competence), in the observance of prevailing laws and regulations.

These reports are also available on the Company's website [www.renodemedici.it](http://www.renodemedici.it).

## 17. CHANGES SINCE THE END OF THE FINANCIAL YEAR

There have been no significant changes to the corporate governance structure between the end of the financial year and the date of this report with exception of the Shareholders' Agreement (§ 3.7.).

TABLE 1: BOARD OF DIRECTORS

Director	Position	Executive	Non-executive	Independent	Attendance/ Meetings <sup>(*)</sup>	Number of other positions
Christian Dubè	Chairman		X		5/5	
Giuseppe Garofano	Deputy Chairman		X		5/5	
Ignazio Capuano	Managing Director		X		5/5	
Riccardo Ciardullo	Director		X		5/5	1
Robert Hall	Director		X		3/5	1
Sergio Garribba	Director		X	X	5/5	1
Laurent Lemaire	Director		X		5/5	
Vincenzo Nicastro	Director		X	X	4/5	3
Carlo Peretti	Director		X	X	5/5	3
Emanuele Rossini	Director		X		4/5	

(\*) All absences from the meetings of the Board of Directors have been properly justified.

TABLE 2: INTERNAL CONTROL COMMITTEE

Director	Position	Independent	Attendance/ Meetings
Carlo Peretti	Chairman	X	3/3
Vincenzo Nicastro		X	3/3
Sergio Garribba		X	2/3

TABLE 3 : COMPENSATION COMMITTEE

Director	Position	Independent	Attendance/ Meetings
Riccardo Ciardullo	Chairman		1/1
Vincenzo Nicastro		X	1/1
Carlo Peretti		X	1/1
Robert Hall			1/1

TABLE 4 : SUPERVISORY BODY

Director	Position	Independent	Attendance/ Meetings
Carlo Peretti	Chairman	X	3/3
Vincenzo Nicastro		X	3/3
Veronica Arciuolo			3/3