



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 2011

**Approved by the Board of Directors of Reno De Medici S.p.A.
at its meeting of 21 March 2012**

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- <i>bis</i> of the TUF
Stock Exchange Rules	The rules for the markets organised and managed by Borsa Italiana S.p.A.
Related Party Committee	The Related Party Committee of Reno De Medici S.p.A.
Related-Party Regulation	The Regulation issued by the Consob by resolution no. 17221 of March 12, 2010 regarding related-party transactions, as subsequently amended and integrated
Year	The financial year ended 31 December 2011



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.

Legal 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. The appointment will expire on the occasion of the approval of Financial Statement at 31 December 2011.

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 convertors 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.

Concerning the commitment of RDM Group in favour of the green economy, please read our Social and Environmental Report for year 2011 issued on Company's website: www.renodemedici.it



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

- 377.471.641 ordinary shares each of nominal value Euro 0.49;
- 329.353 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
<u>Ordinary shares</u>	377,471,641		Listed on the Star Electronic Stock 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.
<u>Savings shares</u>	329.353			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 share and 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 and expired on 31 December 2011.

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/documentieprospettiinformativi)

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.	44.75	44.75
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
Bankrupt Exeufis S.p.A. in liquidazione	Bankrupt Exeufis S.p.A. in liquidazione	5.512	5.512

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 to which reference should be made. This Plan is expired on 31 December 2011 but the obligations for Beneficiaries are already in force.

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

At the date to approval of the Corporate Governance, the Company has not know any Shareholders's Agreement.

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. 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.

3.10. 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.

3.11. 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.

3.12. 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. At the date of this Report there were not any agreement of replacement for executive 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.

3.13 ADHERENCE TO A CORPORATE GOVERNANCE CODE OF CONDUCT

Information on adherence to a corporate governance code of conduct may be found in Part 4 of the Report "Corporate Governance Structure of Reno De Medici S.p.A.". During 2012 the Company will update its system of corporate governance for the new provisions of the Corporate Governance Code issued by Borsa Italiana in December 2011.

3.14. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS: MAIN FEATURES IN RELATION TO THE FINANCIAL REPORTING PROCESS, INCLUDING CONSOLIDATED REPORTING

For information about the main features of existing risk management and internal control systems in relation to the financial Reporting process, including consolidated Reporting, reference should be made to Part 11 of the Report ("Internal Control System").



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). Reno De Medici had adopted the traditional governance system.

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 18083 dated 25 January 2012 of Consob confirmed the percentage of 4.5% 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 27 April 2011 determined in 9 the number of members of the Board of Directors currently in office, consisting of the following directors: Messrs. Giuseppe Garofano, Ignazio Capuano, Giulio Antonello, Christian Dubé, Sergio Garribba, Laurent Lamaire, Vincenzo Nicastro, Carlo Peretti and Robert Hall. The Board in force was appointed by the only list of Cascades s.a..

The present Board of Directors is composed to 9 members and they remain in office until the ordinary shareholders' meeting called to approve the financial statements for financial year 2013. The Directors are shared in: 3 executive directors (as per the definition in the Code) and 6 non-executive directors, 3 of whom are Independent.



Name	Office held
Christian Dubè	Chairman - Executive
Giuseppe Garofano	Deputy Chairman - Executive
Ignazio Capuano	Managing Director - Executive
Giulio Antonello	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

On 27 April 2011 the Board of Directors checked that the pre-requisites for independence held by the directors Sergio Garribba, Vincenzo Nicastro and Carlo Peretti.

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 Dubè

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.. Currently, he is not Director in other Italian listed company.

Giuseppe Garofano

Born in Nereto (Teramo) in 1944, he graduated in Chemical Engineering at the Milan Polytechnic and took a diploma in Business Economics (which then became a Master in Business Administration) at the SDA Bocconi University School of Management in 1972. He began his professional work as a process engineer in Montedison, then moving on to work at Istituto Mobiliare Italiano (IMI) and Morgan Stanley - First Boston in New York.

He has been Deputy Chairman and Managing Director of Iniziativa Meta and chairman of Montedison.

Formerly a Director, among other things, of leading banks and insurance companies such as Fondiaria S.p.A. (Deputy Chairman), Milano Assicurazioni S.p.A. (Deputy Chairman), RAS, Previdente Assicurazioni (Chairman), Deutsche Bank Italia and Mediobanca - Banca per il Credito Finanziario S.p.A., he has also been a member of the Advisory Board of the EBRD (European Bank for Reconstruction and Development).

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Chairman of the Board of Directors of RCR Cristalleria Italiana S.p.A.;

Chairman of the Board of Directors of Manucor S.p.A.,

Chairman of the Board of Directors of Industria ed Innovazione S.p.A.;

Deputy-Chairman of Board of Directors of Alerion Clean Power S.p.A.;

Member of Board of Directors of Autostrada Torino -Milano S.p.A.;

Member of Board of Directors of Banca MB S.p.A.;

Member of Board of Directors of CBM S.p.A.;

Member of Board of Directors of Efibanca S.p.A.;

Member of Board of Directors of Pellegrini 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.

Giulio Antonello

Giulio Antonello, born Bari in 1968, graduated in economics, specialising in finance, in May 1990 at The Wharton School of Finance, University of Pennsylvania. He took a masters in International Affairs at the Columbia University of New York. He began his professional experience as a UI USA financial analyst in 1990 in New York, was controller (Chairman's assistant) at Cemconsult AG (Holcim Group) in Zug from 1992 to 1994 and was an associate of IBI Bank AG in Zurich from 1996 to 1997. He has also held a position as Director at: Concrete Milano S.p.A.; Industriale Calce S.p.A.; Dolomite Colombo S.p.A.; Star S.p.A.; Think S.p.A.; Bonaparte 48 S.p.A.; Castello di Casole S.p.A.; Norman S.p.A.; Campisi SIM; NuovaAntenna3 S.p.A.

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Managing Director of Alerion Clean Power S.p.A..

Member of Board of Directors of IBI Corporate Finance BV;

Member of Board of Directors of Findea S.p.A.;

Member of Board of Directors of Mediapason S.p.A.;

Member of Board of Directors of IBI S.p.A..

Member of Board of Directors of Alerion Energie Rinnovabili S.p.A.;

Member of Board of Directors of SIAS S.p.A.;

Member of Board of Directors of Industria ed Innovazione S.p.A.;

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.

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Vincenzo Nicastro

Born in Rome in 1947, he graduated with first class honours in jurisprudence. Lawyer who may represent clients in the Supreme Court. Amongst other things he has been a special administrator of the Mandelli Group in special administration; a member of the group of special administrators of the Fornara Group in special administration; the Chairman of the Board of Statutory Auditors of Cariverona S.p.A.; a Statutory Auditor of Infracom S.p.A., Granarolo S.p.A. and Centrale del Latte di Milano S.p.A.; the Chairman of the Board of Directors and then Chairman of the Board of Statutory Auditors of the liquidators of Inma S.p.A.; a Director of the Piccolo Teatro di Milano – Teatro d'Europa.

Author of several publications in the Ned (Non Executive Directors) Community.

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Chairman of the Board of Directors of RED.IM S.r.l. (company of the Realty Vailog Group);

Member of Board of Directors of Industria ed Innovazione S.p.A.;

Statutory Auditor of Unicredit S.p.A.;

Statutory Auditor of COSUD S.r.l.;

Statutory Auditor of Unicredit Leasing S.p.A.;

Chairman of Board of Statutory Auditor of Unicredit Coporate Banking S.p.A.;

Chairman of Board of Statutory Auditor of Chia Hotel & Resort S.r.l.;

Chairman of Board of Statutory Auditor of Credit Agricole Private Equity Sgr S.p.A.;

Chairman of Supervisory Board of Filati Bertrand in A.S.

Special Commissioner of Carrozzeria Bertone S.p.A. and Bertone S.p.A.;

Carlo Peretti

Born in Florence in 1930, he was awarded a degree in Electronic Engineering by the Turin Polytechnic.

He began his professional experience in 1953 at Fatme Ericsson, in the area of the design and production of telephone exchanges.

He worked at Ing. C. Olivetti & C. S.p.A. and from 1959 in the Olivetti Computers Division, where he held various positions including Managing Director and General Manager and, from 1985 to 1997, Chairman of the Board of Directors. He has been involved in the restructuring of businesses in difficulty, such as the Rizzoli Corriere della Sera Group (RCS Media Group), where he held the position of Deputy Chairman, and Cartiere Sottrici Binda S.p.A., where he held the position of Chairman.

Positions as Director or Statutory Auditor in other companies listed on Italian and non-Italian regulated markets, in financial companies, banks and insurance companies or in companies of considerable size:

Chairman of the Board of Directors of Vodafone Omnitel N.V..

Member of Board of Directors of Industria ed Innovazione S.p.A.;

Member of Board of Directors of Risanamento S.p.A.;

Member of Board of Directors of Gancia S.p.A.;

Member of Board of Directors of JAV Group S.p.A.;

Member of Board of Directors of BTS;

Member of Supervisory Board of Equinox Fondo Investimenti

At the date of this Report, considering the high skills of Directors, the Company had choose to no fix a maximum number of appointment for its each Members. On 10 February 2012, considering the number and engagement of each Director the Board of Directors see fit its composition.



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.

More specifically and also in the light of the new procedure for related party transactions, the duties and roles of the management body may be summarised as follows:

- review and approve the strategic plans, business plans and financial plans of the Company and the Group it heads, the Company's corporate governance system and the Group's structure;
- approve material transactions as identified in the procedure for related party transactions approved by the Company pursuant to the Related Parties Regulations;
- assess annually the adequacy of the organisational, administrative and general accounting structure of the Company, the Group and subsidiaries having strategic importance, as prepared by the Managing Director, with specific reference to the adequacy, effectiveness and effective working of the internal control system and as to how conflicts of interest are managed;
- assign and withdraw the powers of delegated bodies, excluding matters reserved solely for the competence of the board pursuant to article 2381 of the Italian civil code and the provisions of the Company's bylaws, establishing the limits to these powers and the way the bodies operate;
- approve the compensation of the Managing Director and the other Directors holding specific positions, including attendance at the committees set up by the Board of Directors, subject to a review of the proposals submitted by the compensation committee and after consultation with the Board of Statutory Auditors pursuant to article 2389, paragraph 3 of the Italian civil code;
- allocate the total compensation due to members of the board in the absence of a specific resolution of shareholders on the matter;
- review the general performance of operations, taking into consideration in particular the information received from the delegated bodies, and periodically compare the results achieved with those planned;
- review and provide prior approval of the transactions and operations performed by the Company and its subsidiaries when such transactions and operations have significant strategic importance or have significant importance with regard to the Company's results, assets or financial position, giving specific attention to situations where one or more Directors hold interests on their own behalf or that of third parties and, more generally, to transactions and operations with related parties;
- assess on an annual basis the size, composition and working of the board itself and its committees, possibly expressing an orientation on the professional figures whose presence on the board is considered appropriate;
- provide information in the corporate governance Report on the performance of the above-mentioned duties and, in particular, on the number of board meetings held during the year and the respective percentage attendance by each Director;
- establish the lines of direction for the internal control system and risk management system, so that the main risks concerning the issuer and its subsidiaries are properly identified and suitably measured, managed and monitored, additionally establishing the degree to which those risks are compatible with a correct and healthy management of the business that is consistent with the strategic objectives that have been identified;
- assess at least on an annual basis the adequacy, the effectiveness and the effective working of the internal control system and the risk management system with respect to the business's features and the risk profile assumed, together with its effectiveness.

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.

In compliance with art. 15 of ByLaw the resolutions relating to any of the matters listed below are of the sole competence of the Board of Directors and must be adopted by favorable vote of the majority of Directors:

- 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. (reference should be made to chapter 11 of this Report in this respect).

The Board of Directors of RDM met on 5 occasions during 2011 with each meeting lasting an average of 4 hours.

On 16 January 2012, the Company issued a timetable which schedules the dates for five meetings of the Board of Directors in 2012. At the date of this Report one meeting (namely that of 10 February 2012 regarding the approval of the interim Report on operations at 31 December 2011) 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 2011, such as 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 10 February 2012, 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 2011, considering them to be adequate for the characteristics of the Company.

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 27 April 2011 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.

For this reason, applying the provisions of article 2 of the Corporate Governance Code the Company has not appointed a Lead Independent Director.

The Chairman of the Board of Directors ensures at board meetings that the necessary time is dedicated to each of the matters listed on the agenda to enable a constructive debate to take place and encourages contributions from Directors during the course of the meetings; in addition, he ensures, together with the secretary to the Board of Directors, Mr. Arciuolo, that the information provided before the meeting is given on a timely basis and is complete, using the necessary means to maintain the confidentiality of the data and information supplied. On average, the documents regarding matters on the agenda should be sent to all the Directors and Statutory Auditors with 5 days' notice. If the documentation is bulky or complex, then it should be accompanied by summaries. Only in urgent situations should the documentation be made available as soon as possible. When the chairman sees fit, in connection with the contents of a subject and the respective resolution, the information documents may be provided directly in the meeting, with notice of this being given to the Directors and Statutory Auditors. In this case, in addition to providing all the explanatory documentation required and any explanations that may be requested, the Chairman may also suspend the sitting to enable all the Directors and Statutory Auditors to study the documentation they have received so that they may cast their votes in a fully aware and informed manner.

Finally, given that certain Directors are not of Italian nationality, all the information is also provided in English.

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 27 April 2011 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 immediately all information to Board and Statutory Auditors in case of exercise of their powers.



Managing Director

At its meeting of 27 April 2011 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 2011 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.

For the purpose of enhancing the value of board meetings as being a typical moment when the Directors (and in particular the non-executive Directors) can acquire suitable information concerning the Company's operations, the Managing Director ensures that the managers in charge of business functions who have competence concerning matters on the agenda will remain at the board's disposal to attend these meetings and/or the meetings of the various committees when requested.

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 6 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 27 April 2011 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 2011, noting that there were no matters to be brought to the attention of the Corporate Bodies. The results were issued to the market by a press release.

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.



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. For this purpose it is noted that during the sitting on 4 November 2011, the Board of Directors, with the favourable opinion of the internal control committee and the Board of Statutory Auditors, adopted the new Internal Dealing Procedure and the new Inside Information Procedure, replacing those existing previously. During 2012 the Company will assess the possibility of making changes to the Internal Dealing Procedure to update it for the modifications introduced by Consob Resolution no. 18079 of 20 January 2012 (published in Official Journal no. 31 of 7 February 2012), which amongst other things deals with disclosures of transactions performed by significant persons and persons closely associated with significant persons, as per article 114, paragraph 7 of Legislative Decree no. 58 of 24 February 1998

6.1 PROCEDURE FOR THE EXTERNAL COMMUNICATION OF PRIVILEGED INFORMATION

During the meeting of 4 November 2011, the Board has approved the new 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 2011 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, the Related Party Committee and the 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.

As demonstrated by the best Italian and international practice, far from acting as a replacement for the Board of Directors in carrying out their duties, the committees perform a precious role by carrying out preliminary enquiries and acting as a driver - which materialises in the drafting of proposals, recommendations and opinions - thus allowing the board to take its decisions on a more informed basis. In the case of the RDM Group, this role has turned out to be particularly effective in regard to dealing with delicate matters, given the variegated composition 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 3 non-executive directors, two of whom are independent.

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

The Committee met twice in 2011: a) the first time on 21 March 2011, to review the phantom share based Incentive Plan for the management of the Group for 2011-2013; b) the second time on 27 April 2011, to draft the proposal for the new Board of Directors for assigning compensation to Directors with specific positions, pursuant to article 2389 of the Italian civil code, and to the members of each Committee. Each meeting lasted on average 2 hours. The Board of Statutory Auditors attends the meetings of the Compensation Committee.

Minutes are kept of the meetings of the Compensation Committee.

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.



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 27 April 2011 shareholders in general meeting adopted a resolution to pay total gross annual compensation of Euro 180,000.

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.

On 27 April 2011, on the proposal of the Compensation Committee and with the favourable opinion of the Board of Statutory Auditors, the Board of Directors assigned, also pursuant to article 2389, paragraph 3 of the Italian civil code, annual compensation of € 100,000.00 to the Chairman, Mr. Christian Dubé, annual compensation of € 75,000.00 to the Deputy Chairman, Mr. Giuseppe Garofano, and gross annual fixed remuneration of Euro 204,000.00 to the Managing Director. It is noted that for his position as General Manager Mr. Capuano is assigned both fixed remuneration and variable remuneration based on reaching certain business objectives determined by the Chairman of the Board of Directors. In this respect it should be noted that in drawing up its proposal for the Board, the Compensation Committee considered it both essential and fundamental that such should be sufficient for attracting, keeping and motivating the executive Directors, also in the light of the specific professional skills and commitment requested of them. In addition, thanks to the adoption of the Incentive Plan for 2011-2013 (cf. below), the remuneration of the Executive Directors and key (but not 'strategic') executives is defined in such a way as to align their interests with the pursuit of the priority objective of the creation of shareholder value in a medium-long time frame, as well as being linked to achieving specific business performance objectives.

Through a resolution adopted on 27 April 2011, 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 2014 if a specified level of business performance.

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/documentieprospettiinformativi), to which reference should be made.

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 27 April 2011 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.

The detailed information is in Report in compliance with art. 123 TUF available on the Company's website www.renodemedici.it/investorrelations/shareholdersmeeting.



10 INTERNAL CONTROL COMMITTEE

10.1. COMPOSITION OF THE COMMITTEE

On 27 April 2011 the Board appointed the Internal Control Committee for the years 2011-2013.

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 consists of: Mr. Carlo Peretti - Chairman, Mr. Vincenzo Nicastro and Prof. Sergio Garribba.

Starting from 27 April 2011 the Internal Control Committee met on 2 occasions in 2011. The average duration of the meetings was two hours. The Committee had approved the changes of Model in compliance with 231 and the new two Procedure about Internal Dealing and Market Abuse.

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 in order to carry out its purpose about the management of Company.

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 legal 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 27 April 2011 and the date of this Report the Internal Control Committee Reported to the Board on 3 August 2011 and 4 November 2011.

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.

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 AND RISK MANAGEMENT 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.

The control system consists of the set of rules, procedures and organisational structures designed to enable the main risks to be identified, measured, managed and monitored through a suitable enquiry process and the business to be conducted in a healthy and proper manner that is consistent with the objectives that have been set. This system is integrated within the more general organisational and corporate governance structures set up by the issuer and takes into suitable consideration reference models and best practices existing at a national and international level. An effective internal control and risk management system contributes to ensuring that the business is conducted in a way consistent with the business objectives established by the Board of Directors, encouraging decisions to be taken in an informed manner. It helps in safeguarding the Company's assets and in ensuring that business processes are efficient and effective, that financial information is reliable and that laws and regulations, as well as the bylaws and internal procedures, 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.

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 are 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.

Starting from December 2009 at a Group level it should be noted that a Manual was distributed to all Group companies, 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.

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 27 April 2011 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 and risk management.

The Director in charge of supervising the working of the internal control and risk management systems:

- a) identifies the main business risks, taking into consideration the activities performed by the issuer and its subsidiaries, and submits them on a periodic basis to the Board of Directors;
- b) puts into practice the lines of direction established by the Board of Directors, looking after the design, establishment and management of the internal control and risk management system and constantly checking its overall adequacy, effectiveness and efficiency;
- c) deals with adapting this system to changes in operating conditions and laws and regulations;
- d) may ask the internal audit function to perform procedures on specific operational areas and the extent to which internal rules and procedures are complied with during the performance of business functions, providing simultaneous notification to the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors;
- e) Reports on a timely basis to the Control and Risks Committee (or to the Board of Directors) as to any issues or critical matters that emerge during the performance of his work or in any case of which he has become aware, so that the Committee (or Board) may take suitable measures.

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 Confindustria's guidelines. The thus-approved Model was then the subject of certain updates, approved by the Board of Directors on 27th August 2008, on 5th November 2009 and 4th November 2011 also considering the result of legislative developments, regarding the Legislative Decree no.231/2001 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 9 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; (ix) crimes related environment. 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 in charge was appointed by the Board of Directors dated 27 April 2011 and it met two times in 2011 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 legal 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. This procedure was modified during the Board's Meeting of 3rd August 2011.

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 € 100,000.00 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 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.



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..

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

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

Sergio Pivato

Born in Milan on 13 November 1945, he is currently Ordinary Professor of Economics and Business Management at the Bocconi University in Milan and Chairman of the CRESV Research Centre. A Certified Accountant (*Dottore Commercialista*) since 1977 he has also been a Registered Auditor since 1984.

He holds office in 2 other listed companies:

Ubi Banca Scpa,

- Brembo S.p.A.

And in 3 no listed Company:

- Auchan S.p.A.,
- Sma S.p.A.,
- Società Editoriale Vita S.p.A



Giovanni Maria Conti

Born in Milan on 4 October 1964, he graduated in Business Management at the Bocconi University in Milan in 1992. He has been on the Roll of Certified Accountants (*Dottori Commercialisti*) since 1994 and has been a Registered Auditor since 1999.

He currently holds the following positions:

- member of Board of Directors and Remuneration Committee and Chairman of Internal Control Committee of Biancamano S.p.a. (Listed Company).
-
- member of Board of Directors :
- Borbonese S.p.a.
- Cofinvest S.r.l. (Chairman)
- Gewa Med S.r.l.
- RSC & Partners Consulting S.r.l. (Chairman)
- Presidente del Consiglio di Sorveglianza di Immobiliare 1750 S.p.a.
- Standing Auditor of:
- Alerion Energie Rinnovabili S.r.l. (Chairman)
- Callari S.r.l. (Chairman)
- Careo S.r.l. (Chairman)
- Eolo S.r.l.
- Fomas Hop S.p.a.
- Lucchini S.p.a.
- Mylan S.p.a.
- Reno De' Medici S.p.a. (listed company)
- Sunpower Italia S.r.l.
- Us.Fin. S.r.l.

Carlo Tavormina

Born in Rome on 24 October 1964. He graduated in Economics and Business at Turin University in 1989. He has been on the Milan Roll of Certified Accountants (*Dottori Commercialisti*) since 1993 and has been a Registered Auditor since 1999. Since 2001 he is also on the Roll of Expert Witnesses for the Court of Milan with the specialisation: "Business appraisals".

He currently holds the following positions:

A. Chairman of Statutory Auditors of:

- Industria e innovazione S.p.A. (Listed Company);

B. Standing Auditor of:

- Reno De Medici S.p.A. (listed Company)
- Manucor S.p.A.
- NEM SGR S.p.A. (gruppo BPVI)
- RCR Cristalleria Italiana S.p.A.
- Telelombardia S.r.l.

C. Chairman of ODV in compliance with D.Lgs. 231/01 di:

- PRO-FAMILY S.p.A.,

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

The Board held 6 meetings in 2011.

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 2011.

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

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 be 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 27 April 2011, 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 and asked special Audit.



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).

Relations with investors, shareholders and financial analysts are maintained by the person in charge of Investor Relations, Mr. Zaki Haned appointed on 4 January 2012 in compliance with Board’s resolution dated 3 August 2011. Mr Haned 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

Reno De Medici

Zaki Haned

Tel. +39 3486844347 Fax +39 02 89966200

E-mail investor.relations@renodemedici.it



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.

**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 2011.



TABLE 1: BOARD OF DIRECTORS

Director	Position	Executive	Non-executive	Independent	Attendance/Meetings*	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		2/5	1
Giulio Antonello***	Director		X		2/3	
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		2/5	

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

** Director removed from 27th April 2011

*** Director appointed on 27th April 2011

**TABLE 2: INTERNAL CONTROL COMMITTEE**

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

**TABLE 3 : COMPENSATION COMMITTEE**

Director	Position	Independent	Attendance/Meetings
Riccardo Ciardullo*	Chairman		1/2
Vincenzo Nicastro**	Chairman	X	2/2
Carlo Peretti		X	2/2
Robert Hall			2/2

* Member removed from 27 April 2011

** Chairman appointed on 27th April 2011

**TABLE 4 : SUPERVISORY BODY**

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