

Italian Stock Exchange - IPO Overview

1. Regulatory Background

1.1 Overview of Regulatory

The regulatory framework is composed of primary rules contained in the Legislative Decree no. 58/1998 (the so called Consolidated Law on Financial Intermediation or “T.U.F.”) and secondary laws implemented by (i) Consob Regulation no. 16191 on Financial Markets, whose latest version of which was approved by Consob by means of its decision no. 18299 of August 1, 2012, (ii) Consob Regulation no. 11971 on Issuers, as amended by decision no. 18214 of May 9, 2012 (the “Issuers Regulation”), and (iii) with specific regard to intermediaries, by Consob Regulation no. 16190.

1.2 Regulatory Entities

The Commissione Nazionale per la Società e la Borsa (“Consob”), Italy’s stock market regulator, and Banca d’Italia are the entities with supervisory powers over the offering procedure. Consob was granted by the Italian legislator the duty and power to supervise the offering.

In this respect, Consob has been granted powers to exercise in the case of irregularities, aimed at adopting prompt precautionary, inspection and prohibitory measures.

As soon as the issuer informs Consob of an intended offering, the latter may request all the entities involved in the offering procedure for the information regarding listed companies, as provided for by article 115 of T.U.F.

Consob can exercise its inspection powers for one year from the purchase or the underwriting of the relevant investment products. During such period Consob can request the underwriters of the offering provide any document concerning the completed transaction.

Consob may suspend the offering procedure as a precautionary measure, in the case of grounded suspicion that a primary rule or a regulation has been violated. The offering procedure may be prohibited if the violation has been “ascertained”.

Banca d’Italia may exercise powers related to the prudential supervision of the intermediaries involved in the offering.

1.3 Required Approvals

Pursuant to article 94-*bis*, Consob, in exercising its discretionary powers of authorization, verifies whether a prospectus is complete and “whether the information provided is consistent and understandable”.

For offerings of securities of an issuer that has already issued securities admitted to trading on a regulated market or that has already offered securities to the public, pursuant to article 8, sections 2 and 3 of the Issuers Regulation, the publication of a prospectus shall be authorized within ten working days from the communication of the prospectus to Consob. This term is extended to twenty working days in the case of an offering of financial products other than those mentioned the above.

2. Listing Criteria

2.1 Suitability of Listing Applicant

Only shares of stock in issuers that have published and filed financial statements (including consolidated ones) for the last three financial years may be offered. In this respect, at least the latest financial statement must be accompanied by an assessment drafted by the audit firm according to the rules set forth under article 156 of T.U.F. or to the applicable rules of the foreign jurisdiction.

When deciding to offer its shares of stock on the market, the issuer should verify in advance whether it meets the minimum formal requirements, which vary depending on the selected market.

The regulations enacted by Borsa Italiana S.p.A. have tended to give less space to formal requirements and more to substantial requirements. Indeed, the requirements to be admitted to the Borsa market usually coincide with the features the investors expect to find in a company.

The minimum formal requirements for an Italian company to be admitted to the Borsa stock market are as follows:

REQUIREMENTS FOR THE ISSUER	REQUIREMENTS FOR THE SHARES
Capacity to generate income through an independent management	Freely transferrable
Publication and filing of the three latest annual financial statements (even if reporting losses)	Public float equal to at least 25% of the stock
The latest financial statement is subject to audit	Forecast market capitalization equal to at least 40 million Euro
Filing of the budget pertaining to the current financial year and of budget plans pertaining to the two next financial years	Central securities depository at Monte Titoli

Substantial requirements are based on the actual growth perspectives and on the business management of the company seeking listing and they include:

- A positive track record of financial results;
- An ambitious but realistic business plan;
- Quality, continuity and independence of the management of the company;
- Corporate governance guidelines;
- Transparency in accounting and in the company structure;
- Timetable of the offering and market perception; and
- Existence of an “investor relator”.

2.2 Track Record Requirement

The admission to the Borsa stock market is not possible where the audit firm has rendered a negative opinion or declared that it is not possible to render an opinion.

Companies that resulted from extraordinary corporate transactions or whose assets have undergone substantial changes during the financial year preceding that in which the admission is requested (or later) shall file the following additional documents, along with the documents usually requested:

- a *pro-forma* income statement (*conto economico*) pertaining to at least one financial year closed prior to the date of filing of the request for admission;
- a *pro-forma* balance sheet (*stato patrimoniale*) as of the date of closing of the financial year preceding the request for admission, in case the extraordinary corporate transactions or the substantial changes took place after such date; and
- such further documents regarding the company accounts as may be required.

2.3 Minimum Market Capitalization

With reference to the markets managed by Borsa Italiana S.p.A., the expected market capitalization shall be at least 40 million Euros. Borsa Italiana S.p.A. may admit shares with a lower value if it satisfied that there will be an adequate market for the shares concerned.

2.4 Sufficiency of Working Capital

The issuing company has to make a statement concerning the sufficiency, in its opinion, of the working capital, according to Commission Regulation (EC) No 809/2004 (the “Prospectus Directive”) and the ESMA (European Securities and Markets Authority) update of the CESR (Committee of European Securities Regulators) recommendations.

2.5 Eligibility for Electronic Settlement

The dematerialization of private securities is required by law. The dematerialization is required with regard to all financial instruments traded or to be traded on regulated markets and to all securities that, even if not listed, are widely spread in the public. The issuer can undertake the dematerialization also on a voluntary basis. In case of dematerialization, the issuer shall designate only one managing company for all financial instruments issuances.

3. Overseas Companies

(a) Foreign incorporated companies

It is possible to list securities issued by foreign companies on a market managed by Borsa Italiana S.p.A.

If an offering involving European Union financial instruments is planned to occur in Italy, as host member State, the prospectus and any attachment approved by the Authority of the home member State can be published in Italy, provided that the notification procedures established by European Union law are complied with (article 98, section 2 of T.U.F.).

The recognition of a prospectus approved by the supervisory Authority of another member State occurs following a communication to Consob by said authority that the prospectus complies with the Directive no. 2003/71/EC. Further, if the securities offering occurs in Italy, as host member State, it is also required that the prospectus “be drafted in Italian or in a language commonly used in the international finance and chosen by the issuer or the offeror” (article 12 of Issuers Regulation). In the latter case, the summary note attached to the prospectus must be translated into Italian. Lastly, where the issuer’s place of incorporation is a non-European country but the offering occurs in Italy, Consob can approve the prospectus drafted according to the laws of the non European country, on condition that the required information, including information of a financial nature, is equivalent to the information required under the applicable European laws (please refer to article 98-*bis* of T.U.F.).

(b) Companies listed on a foreign market

Companies already listed in foreign markets can be listed in Italy. Financial instruments issued by Italian companies but subject to the laws

of a foreign country may be represented by paper certificates in accordance with the rules in force in the state of issuance. Where the above representation does not comply with the rules in force in Italy, such circumstance must be communicated to the public.

(c) *Time-frame for gaining admission to the exchange for companies listed elsewhere*

It is difficult to establish how long it is necessary for a listing of a company already listed in other markets. This is due to the fact that the listing process may vary depending on various factors, including: the particulars of the company, the sector in which it operates, whether its place of incorporation is in the European Community or not, the company and management structures, the listing technique and the level of complexity of the due diligence process.

Based on the statistics, the preparatory phase (accounting and fiscal) may last from 6 to 24 months. The due diligence process may last up to 2 months, the authorization phase (communications with Consob and approval of the prospectus) 2 months, and the placement may last from 7 to 15 days.

(d) *Additional or alternative requirements applicable to foreign companies seeking listing*

Foreign issuers whose place of incorporation is a non-European country prove that there are no difficulties preventing them from complying with the provisions contained in the Issuers Regulation, the relevant Instructions as well as in the applicable laws and regulations governing the information to be provided to the public of Consob and Borsa Italiana S.p.A.

However, for specific issuers Borsa Italiana S.p.A. can establish terms and conditions other than those provided for by the Issuers Regulation, taking into account the jurisdiction the issuers belong to.

When admitting the trading of ordinary shares issued by issuers whose ordinary shares have been already listed on other European or non-European regulated markets, Borsa Italiana S.p.A. can deviate from the provisions of the Issuers Regulation, also taking into account the following, by way of example but not limited to, (i) whether the shares are listed in important international or national financial indexes, (ii) the particulars of the issuer, and (iii) how long the shares have been admitted to trading.

In case financial instruments issued by a company or an entity subject to the jurisdiction of a country not belonging to the European Union are not listed in that country or in the country in which the major proportion of the instruments is held, they can be listed only provided that it is

ascertained that the listing in the above countries has not been refused by the competent authorities.

4. Shareholding Requirements

4.1. Public Float

Borsa Italiana S.p.A. requires that companies meet specific requirements of minimum public float for the listing: a minimum float of 25% for shares traded on the Borsa Italiana S.p.a. and of 10% for shares traded on Expandi (in any case not lower than 750,000.00 Euros). The float requirement must also be respected by the company after the authorization of the listing; indeed, the lack of trading of its own shares can cause the revocation of the authorization to the listing.

There is a further cap for the segment “Segmento Titoli con Alti Requisti”, where the so-called mid-cap companies (shares with market capitalization between 40 million Euros and 1 billion Euros) are listed. In this segment, companies must be listed with an initial public float equal to 35 % of the post-listing capitalization.

4.2. Restrictions on Major Shareholders

The shares of controlled companies can be admitted to stock exchange trading on regulated markets only if said companies: *a)* ensure compliance with the information and publicity requirements laid down in Article 2597 bis of Civil Code; *b)* are capable to negotiate and enter into contracts with clients independently from the parent company; *c)* have a treasury system independent of that of the parent company; and *d)* have an audit committee composed of independent members.

In addition, there are no general provisions concerning restrictions on major shareholders. However there are specific provisions with reference to companies operating in strategic fields: in the so called “public utilities” (energy, gas, transport, telecommunication, etc.), companies in which the State participates are subject to the “*golden share*” rules. Furthermore, any acquisition of an important interest in certain companies (such as banks and insurance companies) must also be approved by the relevant independent Authority, respectively, Banca d’Italia and I.V.ASS.

4.3. Spread of Shareholders

Companies with a single shareholder may be listed. After the listing, Borsa Italiana S.p.A. requires a minimum public float equal to 25% of the capitalization for shares listed in segments of Borsa Italiana S.p.A. and to a minimum public float equal 10% for shares listed on markets for emerging companies. The listing may be revoked due to an insufficient number of transactions.

4.4. Post IPO Lock-up

Borsa Italiana S.p.A. requires a post-IPO Lock up clause for companies with less than three financial years of activity and that request listing on the MTAX market. This clause provides that shareholders (and other such companies such as founders, directors and officers) who acquired the shares during the 12 months prior to the date when the listing is requested, undertake – for one year after the listing – not to sell, offer, pledge, and, in general, carry out transactions concerning at least 80% of their ordinary shares.

5. Listing Procedure and Timetable

The listing procedure is composed of three phases: the first one – the pre-marketing phase – is characterized by a series of acts leading to the listing procedure, such as the resolution of the Board of Directors authorizing application to the Exchange for the listing of the securities, for the appointment of legal advisers, the collection of documents required for the subsequent phase.

As soon as the issuer informs Consob of an intended offering, the issuer must make a listing application to Borsa Italiana S.p.A., who shall assess if the requirements and conditions of listing have been met. Within 60 days from the date on which the collection of the documents for the listing application has been completed, Borsa Italiana S.p.A. must decide and communicate to the issuer and to Consob if the listing application is admitted or rejected. If admitted, this measure will remain effective for six months and the issuer must provide a written copy of a prospectus to Consob. The admission process is completed when Borsa Italiana S.p.A. establishes the beginning of trading operations and the market sector involved and informs the public thereof, including through the publication in two news agencies.

Pursuant to article 113 of T.U.F., before the beginning of trading operations, the issuer must publish a prospectus. The publication of this prospectus must be authorized by Consob. The publication of the prospectus is a requirement of the listing procedure and it is aimed to protect the investors during the initial stage of IPO. Consob shall examine the prospectus within twenty working days from the communication of the prospectus and within ten days in the case of an issuer which has already offered securities to the public. Consob must authorize the publication within 60 days from the communication of the prospectus. The prospectus will remain effective for twelve months from its publication. In any case, the publication of the prospectus must take place before admission to trading.

After the admission to the market by Borsa Italiana S.p.A. and the publication of a prospectus, the subsequent activity handled by the company and its advisers is the following: 1) the creation of a syndicate for placement and guarantees; 2) the organization of the road shows; 3) the Bookbuilding process; 4) the determination of the offering price; and 5) the stabilization of the price of shares after the listing phase.

The listing procedure ends with the beginning of the trading operations in the chosen market sector. Thirty days after the beginning of trading, the syndicate for placement and guarantees shall be allowed financially to support the listed securities.

After the listing procedure, the issuer must comply with rules aimed at monitoring the financial flows. For this reason, the issuer must adopt an effective corporate governance regime and provide to the public an informative report.

5.1. Marketing the Offer

Pursuant to article 101 of T.U.F., during the offering process, the documentation pertaining to the advertising of the offer, the entities in charge of the placement of the shares or the guarantors, must be communicated to Consob upon the dissemination of the relevant documentation. In any case, before the publication of the prospectus, it is prohibited to disseminate advertising messages concerning offerings of financial products other than European financial instruments.

Advertising must be in compliance with the criteria established by Consob in accordance with European legislation and, in any case, shall respect the correctness of the information and be consistent with the information contained in the prospectus, if this has already been published, or with the information to be inserted in the prospectus to be published.

5.2. Required Documentation

In order to be listed on a market regulated by the Borsa Italiana S.p.A., the issuer must:

- have published and filed, according to the national laws, financial statements (including consolidated ones) for the last three financial years. In this respect, at least the latest financial statement must be accompanied by an assessment drafted by the audit firm according to the rules set forth under article 156 of T.U.F. or to the applicable rules of the foreign jurisdiction;
- adopt a management control system in order (a) to monitor the main key performance indicators and the business risk factors, (b) to process data and information, with particular regard to financial reports, appropriately related to the kind of business, the complexity of the business structure and the information required by the managing body and (c) to analyze business objectives and maintain the productive system in line with companies goals;
- draft a memorandum, approved by its managing body and describing the management control system (hereinafter, the “System”) adopted by the issuer and adopted by the major companies it controls. The memorandum shall describe briefly –

though in an exhaustive manner – the elements of the System, the responsible subjects, the informative content with specific regard to the indicators utilized to monitor the main key performance indicators and the business risk factors. The memorandum must indicate any critical areas of the System existing at the moment of the application and compare such critical areas with the ones indicated by Borsa Italiana S.p.A. in its Instructions in which the critical situations fall; and

- perform, directly or through its subsidiaries and by means of an independent management body, an activity capable of generating income.

5.3. Publication of the prospectus/listing documents

An issuer's prospectus must be easy to analyze and to comprehend and must contain "all the information that can allow the investors to have an informed judgment on the situation, the results and the prospects of the issuer and of the guarantors, if any, as well as on the financial products and the rights related thereto."

The summary note is a document, easy to consult, that is attached to the prospectus and which contains, in a concise and clear manner, the characteristics of the offering as well as brief information on the issuer; these pieces of information should enable the investor to perform a swift evaluation of the main characteristics of the offering, since the investor is also given the possibility to ascertain the "origin" of the offered securities. The prospectus is published by filing the original document with Consob, as well as by making it available to the public in one of the following ways:

- a) publication in one or more daily national or widely distributed newspapers;
- b) in a printed format and free-of-charge, in the registered office of the issuer and in the offices of the intermediaries entrusted with the placement or of the subjects operating on behalf of the latter; and
- c) in an electronic format on the issuer's website and, if any, on the website of the intermediaries entrusted with the placement (article 9, section 1 of the Issuers Regulation).

6. Documentary Requirements

6.1. Contents of Main Listing Document

The listing prospectus is certainly the main document and its contents and attachments vary depending on the market on which the issuer intends to list its securities. It must contain (in one or more documents):

- a general description of the issuance program;
- a registration document;
- information note regarding the securities;
- a list of the persons in charge as well as of risk factors;
- information regarding the securities to be issued;
- the terms and conditions of the offering; and
- information on the admission to trading as well as on the trading modalities.

6.2. Other Documents

Additional information may be required in addition to the documents listed above, and shall be included in the same listing prospectus or in a different document. By way of example additional information that may be required include:

- a list of the advisors involved in the issuance of the securities;
- opinions and reports by experts; and
- information from third parties.

6.3. Articles/Constitutional Documents

In order to proceed with the listing, it may be necessary to modify the issuer's corporate governance procedures, including its articles and by-laws, in order for an issuer to comply with articles 147-*ter et seq.* of the T.U.F., pursuant to which listed companies must have independent directors.

The above articles T.V.F. provide for a specific safeguard of the issuer minority shareholders by granting minority shareholders an entitlement to appoint some of the members of the board of directors.

7. Financial Information

7.1. Audited Financial Statements

Article 2.2.1. of the Rules of the Markets organized and managed by Borsa Italiana S.p.A. establishes that it is possible to list shares representing the capital of issuers, that have published and filed the financial statements (including consolidated ones) for the last three financial years (one whereof for the new market). At least the latest financial statement shall be accompanied by an assessment drafted by the audit firm according to the rules set forth in article 156 of T.U.F. or to the applicable rules of the foreign jurisdiction. The admission to listing may not be authorized if the audit firm has rendered a negative opinion or declared that it is not possible to render an opinion.

Companies resulting from extraordinary corporate transactions or whose assets have undergone substantial changes during the financial year

preceding that during which the admission is requested (or later) must file, along with last three financial statements:

- a *pro-forma* income statement (*conto economico*) pertaining to at least one financial year closed prior to the date of filing of the request for admission;
- a *pro-forma* balance sheet (*stato patrimoniale*) as of the date of closing of the financial year preceding the request for admission, in case the extraordinary corporate transactions or the substantial changes took place after such date; and
- the financial statements or the accounting documents shall be accompanied by an assessment drafted by the audit firm.

7.2. Pro Forma Financial Information

In case the drafting of the above *pro-forma* financial documents affects the reliability of the accounting information, Borsa Italiana S.p.A. may, upon the request of the issuer, reserve the right to accept different historical accounting information.

8. Parties Involved

As a matter of principle, the parties involved in the listing process are: (i) the global coordinator; (ii) the sponsor; (iii) the financial advisors; (iv) the specialist; (v) the investor relator (the investor rapporteur is the entity in charge of the relationship between the investors and the financial intermediaries and represents the company vis-à-vis the financial community, giving information about strategies and stock exchange turnovers of the listing company); (vi) the listing partner, and (vii) the auditing company as well as legal and tax advisors.

8.1. The global coordinator

The global coordinator is an intermediary in charge of coordination and advising activities during the placement process. Usually, the global coordinator is a bank or a brokerage firm or another financial intermediary that assists the company during the offering of its securities on the market.

The role of the global coordinator can be performed by an Italian or a foreign investment bank authorized to perform placement services under the T.U.B. or by any other financial intermediary included in the special list set forth in article 107 of the Consolidated Banking Law.

The first activity carried out by the global coordinator is the drafting of a feasibility report regarding the transaction, aimed at aiding the potential issuer in deciding whether to proceed with the listing or not. If the transaction is feasible, the global coordinator carries out, with the assistance of legal advisors, auditors and other advisors, the due diligence process and manages the relationship between the issuer, the market

manager (Borsa Italiana S.p.A.) and the supervisory authority (Consob) and may become the sponsor for the offering.

Given that it is a coordinator, the global coordinator is present in all phase of the transaction, from the incorporation of the syndicate for placement and guarantee to the drafting of the prospectus, the pre-marketing phase, the organization of the road shows, the book building process, the determination of the offering price as well as the stabilization of the price of the shares after the listing phase.

8.2. Sponsor

The sponsor is an intermediary in charge of guiding the issuer through the listing process, guaranteeing the reliability of the issuer's business plan and facilitating contacts with analysts and investors.

A company intending to file an application for listing must designate a sponsor, *i.e.* a subject that contributes to discharge the obligations connected with the admission to listing and who guarantees the quality of the issuer.

The presence of a sponsor is compulsory when:

- the issuer does not already hold listed securities; or
- Borsa Italiana S.p.A. requests it following serious violations of the Borsa regulations or of other rules.

The sponsor is mandated by the issuer upon the filing of the listing application and shall operate:

- for one year from the date when the trading activities commence, in case of a first listing application for shares, certificates representing shares and further securities representing risk capital; or
- for the entire period from the filing of the listing application until the date of commencement of the trading activities, in the case of a listing of financial instruments other than shares.

Banks, securities investment companies (SIM), investment companies and financial intermediaries listed in the special register provided for under article 107 of T.U.B. may act as sponsors. It often happens that the sponsor acts as global coordinator and, in offerings to public or in placements by institutional investors, it must also act as lead manager.

The sponsor also performs activities after the completion of the listing process; indeed, the sponsor undertakes to publish at least two financial analyses per year regarding the company and brief analyses upon the occurrence of extraordinary events for the company, and to organize meetings between the company's management and the financial

community at least twice a year.

After the completion of the listing process, the sponsor may act as a specialist.

The consideration due to the sponsor is represented by the sponsorship fee.

8.3. Other Advisers

In addition to the audit firm and the legal and tax advisors, the financial advisor plays an important role as advisor during the listing process.

The presence of the advisor is necessary where the company, due to the complexity and/or the importance of the transaction, is not capable of completing all of the phases of the listing without assistance.

The advisor may assist the company in selecting the parties that will assist in the next phases of the transaction (the global coordinator, the sponsor, the legal advisors and the communication company). The advisor will coordinate the relationships of the company with the other advisors during the listing process phases and support the company in (i) drafting the prospectus, the business plan and the entire documentation to be used in the presentations to the analysts, and in (ii) assessing the company's assets.

9. Listing Costs

The costs connected with the listing are divided into two categories: costs for admission and listing costs. Costs for admission to listing may be, in turn, divided into:

- indirect costs arising from the modifications to the company's management with the aim at making the company more transparent;
- direct costs arising from the discharge of the obligations connected with the admission process (one time costs).

9.1. Listing Fees

There are costs connected with the sponsor and the consortium for placement. Such costs vary from each other and they arise from the work of different intermediaries, and they include:

- management fee, selling fee, underwriting fee (which depend on the amount of the offering, on its type, and on the possible guarantee);
- fees for the first audit and certification of the financial statement;
- costs for printing the share certificates and admission to Monte Titoli S.p.A.;

- costs for printing and publishing the prospectus;
- marketing and road show costs which are important for the listing process and may fall within the sponsorship fees; and
- entry fee payable to Borsa Italiana S.p.A.

9.2. Fees charged by the Exchange

The fee charged by the exchange (the so-called listing fees) are as follows:

- Costs for certifying the annual financial statement;
- Fees connected with the listing of the shares;
- Annual fee due to Borsa Italiana S.p.A.;
- Fees due to Monte Titoli S.p.A.;
- Fees due to data vendor;
- Assistance by the sponsor in the post listing phase; and
- Costs for liquidity (fees due to the intermediary acting as specialist for the so called penny stock, with the aim at supporting the security on the secondary market).

9.3. Different fees for different markets

The listing fees vary depending on the market on which listing is sought: MTA (*Mercato Telematico Azionario*); MIV (*Mercato Telematico degli Investment Vehicles*), AIM, IDEM (Italian Derivatives Market), SEDEX where covered warrants, leverage certificates, certificates belonging to the category investment are traded, MOT (*Mercato Telematico delle obbligazioni e dei Titoli di Stato*) etc.

As an example, the applicable listing fees for a listing on the MTA are set out below

MTA (<i>Mercato Telematico Azionario</i>)
Fees for a new listing due to Borsa Italiana S.p.A., equal to Euro 75 for each Euro 500,000 of capitalization, to be calculated on the offering price and with reference to the corporate capital calculated after the offering (with a minimum of Euro 10,000 and a maximum of Euro 500,000)
In order for a listed company to remain listed on the market of Borsa Italiana S.p.A., a six-monthly fee equal to Euro 11 per each Euro 500,000 of capitalization, to be calculated on the average of the preceding semester (with a minimum of Euro 6,500 per semester and a maximum of Euro 250,000 per semester) is required.

Source: listing guide by AIFI and Borsa Italiana S.p.a.

9.4. Sponsor's Fees

Sponsor's fees are variable and generally range from 2% to 4% of the listing value.

9.5. Lawyers' and Accountants' Fees

Lawyers' and accountants' fees vary depending on the complexity of the transaction. According to an estimate by Borsa Italiana S.p.A., such fees generally range from Euro 300,000 to Euro 500,000.

10. Corporate Governance Requirements

With the aim of ensuring the good functioning of the market distribution of accurate corporate information, the boards of directors of companies issuing listed shares must provide information, on a yearly basis, on their corporate governance as well as on the acceptance of the Corporate Governance Code (the "Code") issued by the Committee for the Corporate Governance. The boards of directors of companies who do not comply (or who have complied partially) with the recommendations of the Code shall provide the reasons for such decision. The information on the corporate governance is provided through an *ad hoc* report, which is made available to the market along with the documents envisaged for meeting the financial statement requirements.

The regulatory framework governing corporate governance of Italian listed companies has several sources of law including acts, regulations, and soft laws (such as the above mentioned Code).

Moreover, at least one of the members of the board of directors of a listed company (or two if the board of directors is composed of more than seven members) shall possess the independence requirements established for the statutory auditors by article 148, section 3 of T.U.F. In particular, the following individuals may not be appointed as independent directors or, obviously, as statutory auditors:

- individuals who are interdicted or incapacitated or have undergone bankruptcy;
- spouses, relatives and relatives-in-law within the fourth degree of the directors of the company and spouses, relatives and relatives-in-law within the fourth degree of directors of the companies controlled by (or controlling) the above company or subject to joint control, and the directors of such companies; and
- individuals who have labor, professional and economic relations jeopardizing their independence with the company or with companies controlled by (or controlling) the company or subject to joint control or with individuals who have relations with the directors of the company or with the individuals listed in the preceding point.

In light of the importance of the managing body of listed companies, it must be noted that, in recent years, the Italian legislator has given the shareholders' meeting of the listed companies a new role. Indeed, several new provisions have been enacted with reference to the shareholders' meeting, which is a fundamental process utilized by investors to liaise with the managing body.

Consob has also utilized its regulatory powers to enhance the powers of the shareholders' meeting and, most of all, of the minority shareholders. Indeed, some decisions will depend on the majority of the minority shareholders (whitewash), for example: (i) transactions with related parties which have received a negative opinion from the independent directors, (ii) the exclusion of the obligation of a public takeover bid (OPA) in specific cases such as the purchase of own shares by the issuer, mergers and demergers and, lastly, (iii) rescue operations in case of not-manifest financial crises. A further measure enhancing the meeting is the enactment of new rules governing the remuneration of directors.

11. Continuing Obligations

Major disclosure obligations to the public include:

- periodic disclosure to the shareholders also on strategic choices;
- periodic disclosure on the Company's performance;
- disclosure of price-sensitive information; and
- compulsory audit of the accounts.

12. Our Office

Our law firm is able to give legal advice to clients that intend to list their companies on the Italian Stock Exchange: please contact Mr. Giorgio Lener and/or Mr. Pierre Fortin.

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Bevilacqua Lener Morrone & Partners

Via Bertoloni 26/B
00197 Rome
Italy

Tel: + 39 06 807 20 34

Fax: +39 06 808 87 65