# REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

pursuant to article 123-*bis* of the Consolidated Financial Law

(traditional governance and control model)

Issuer: Isagro S.p.A.

Website: www.isagro.com

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## GLOSSARY OF TERMS

**Code/Corporate Governance Code**: the version of the Corporate Governance Code for listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Civ. Code/C.C.**: The Italian Civil Code.

**Board**: The Board of Directors of the Issuer.

**Issuer**: Isagro S.p.A., registered office in Via Caldera 21, Milan, Italy; share capital € 17,550,000.00 fully paid in; VAT No. 09497920158; Milan Economic & Administrative Register (REA) No. 1300947.

**Reporting year**: The financial year of reference for the Report.

**Consob Regulation on Issuers**: The Regulation issued by Consob by resolution No. 11971 of 1999 on governing issuers (as subsequently amended).

**Consob Markets Regulation**: The Regulation issued by Consob by resolution No. 16191 of 2007 on markets (as subsequently amended).

**Consob Regulation on Related Parties**: The Regulation issued by Consob by resolution no. 17221 of March 12th, 2010 (as subsequently amended) on transactions with related parties.

**Report**: The report on Corporate Governance and Ownership Structure that companies must prepare pursuant to article 123-*bis* of the Consolidated Financial Law.

**Consolidated Financial Law (TUF)**: Italian Legislative Decree No. 58 dated February 24th, 1998.

## 1. ISSUER PROFILE

Isagro S.p.A. (hereinafter also "Isagro", the "Company", the "Issuer") is the parent company of a Group that has become a highly qualified global operator in the agrochemical sector. Through a system of strategic partnerships and acquisitions and a product portfolio covering the safeguarding and nutrition of crops, the Group now operates in around 70 countries. Established in 1992 and listed on the Milan Stock Exchange since 2003, Isagro is the only Italian company in the sector that makes direct investments in new molecules and the development of active ingredients with a low environmental impact.
Isagro is active in innovative research, development, production and marketing at global level of proprietary medicinal products for agriculture, as well as their distribution on some major markets. The Group performs its production in 5 (five) locations, 4 (four) in Italy and 1 (one) in India, and distributes directly in Colombia, India, Spain and the United States. In other countries it operates through important local partners.

For a detailed analysis of the main events in 2013, see the Management Report on the Financial Statements as at December 31st, 2013.

Isagro's mission consists mainly in offering farmers innovative chemical and biological-based tools for the health of their crops, which are safe for the environment, users and consumers of agricultural products.
Isagro refers to the ethical principles set forth in the Group Code of Ethics, upon which its models of conduct are based in seeking to compete effectively on the market, improve its customer satisfaction levels, increase the value for its shareholders, develop the skills and promote the professional growth of its employees.

Every year Isagro publishes an Environmental Report on its website (www.isagro.com). This Report is a means of informing the public of the results of Isagro's commitment in terms of improving environmental impact and protecting the health and safety of employees and the local communities in which its plants are located. Isagro participates in the *Responsible Care* programme coordinated by all the national chemical industry federations, created as a driver for the constant adaptation of industrial activities to the growing needs for safety and environmental protection. It is also a member of the *Fondazione Sodalitas*, Italian partner to the European Commission's lead contact network, *Corporate Social Responsibility Europe*. *Fondazione Sodalitas* is committed to implementing the new European Union strategy on Corporate Social Responsibility in Italy.

The corporate governance system adopted by Isagro, structured in accordance with the traditional model, complies with reference regulations and is in line with the principles set forth in the Corporate Governance Code.
The Company's governance system consists of the Shareholders' Meeting, a Management Board - the Board of Directors – and a Supervisory Board external to the Board of Directors - the Board of Statutory Auditors. An independent auditor - Audit Firm - has been appointed for the statutory audit, in accordance with laws in force.

Listed below are the main corporate governance tools adopted by the Company:

- Articles of Association;
- Shareholders' Meeting Regulations;
- Internal Dealing Code;
- internal regulations governing the management and treatment of confidential information and the external disclosure of documents and information;
- procedures for managing operations with related parties;
- general policy on the remuneration of directors and executives with strategic responsibilities.

The aforementioned documents are available on the official Company website.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to article 123-*bis*, paragraph 1, TUF)

**as at March 4th, 2014**

### a) Share capital structure (pursuant to article 123-*bis*, paragraph 1a), TUF)

Isagro S.p.A.'s entire share capital is made up of ordinary shares with voting rights, listed in the STAR segment of the MTA market operated by Borsa Italiana S.p.A.
The total share capital, subscribed and paid in, is equal to € 17,550,000.00, divided into 17,550,000 ordinary shares with a unit par value of € 1.00.
The share capital consists of the classes of shares indicated in the table below:

| ***SHARE CAPITAL STRUCTURE*** | | | | |
|---|---|---|---|---|
| | No. shares | % of share capital | Listed (with indication of the market)/Unlisted | Rights and Obligations |
| Ordinary shares | 17,550,000 | 100% | MTA STAR | As per law and the Articles of Association |
| Limited voting shares | / | / | / | / |
| Non-voting shares | / | / | / | / |

KEY:
**MTA STAR:** Electronic Equity Market (High Requirements Segment)

No other financial instruments exist that carry subscription rights to new share issues.
No stock-based incentive plans (stock options, stock grants, etc.) exist that entail issues of new share capital, including therein bonus issues.

**b) Restrictions on share trading (pursuant to article 123-*bis*, paragraph 1b), TUF)**

No restrictions exist on the trading of shares such as, for example, limitations on holdings or the requirement to obtain the consent of the Issuer or other shareholders.

**c) Significant shareholdings (pursuant to article 123-*bis*, paragraph 1c), TUF)**

The table below lists all significant shareholdings of the Issuer's capital, held directly or indirectly, for example through pyramid holding structures or cross-shareholdings, as reported in disclosures required under article 120 of TUF.

| ***SIGNIFICANT SHAREHOLDINGS*** | | | |
|---|---|---|---|
| Declarant | Direct shareholder | % of ordinary capital held | % of voting capital held |
| Piemme S.r.l. | Holdisa S.r.l. | 54.700% | 54.700% |
| Phyteurop S.A. | Phyteurop S.A. | 2.792% | 2.792% |

**d) Shares carrying special rights (pursuant to article 123-*bis*, paragraph 1d, TUF)**

The Issuer has not issued shares carrying special control rights.

**e) Employee share ownership: exercise of voting rights (pursuant to article 123-*bis*, paragraph 1e), TUF)**

No specific mechanism is envisaged for the exercise of voting rights in the event of employee share ownership.

**f) Restrictions on voting rights (pursuant to article 123-*bis*, paragraph 1f), TUF)**

No restrictions exist on voting rights. As concerns time limits on the exercise of voting rights during Shareholders' Meetings, please see section 16, "Shareholders' Meetings", of this Report.

**g) Shareholderagreements (pursuant to article 123-*bis*, paragraph 1g), TUF**

As at the approval date of this Report there are two shareholders' agreements in place, of which the Issuer is aware, pursuant to article 122 of the Consolidated Financial Law. In particular, the existence is known of an agreement between the shareholders of BasJes Holding S.r.l. ("BasJes") and an agreement between the shareholders of Piemme S.r.l. ("Piemme"), which holds 51% of BasJes capital, which in turn holds 53.9% of Manisa S.r.l. capital ("Manisa"). The latter holds 75.5% of Holdisa S.r.l., which holds 54.7% of Isagro S.p.A. share capital.

**g1) BasJes shareholders' agreement**

The agreement between BasJes shareholders covers shares representing the entire capital of the company, with registered office at Via Caldera 21, Milan. Following execution of the

transactions envisaged in the Framework Agreement regarding the entry of Gowan LLC in the Isagro control chain, and subordinate to this, BasJes will hold the majority of Isagro shares with voting rights. The financial instruments covered in the agreement comprise (i) shares representing the entire company capital of BasJes indicated in the table below and, indirectly, (ii) 9,600,000 ordinary shares representing 54.7% of the share capital of Isagro currently held by Holdisa.
The breakdown of BasJes company capital is illustrated in the following table:

| **BasJes shareholders** | **% of BasJes capital** |
|---|---|
| Piemme S.r.l. | 51 |
| Gowan LLC | 49 |
| **Total** | **100** |

The agreement contains restrictions and limitations on the transfer of shares and arrangements for the exercise of voting rights at BasJes, Manisa, Holdisa and Isagro shareholders' meetings, i.e.:

- restrictions on share trading (article 122, paragraph 5b) of the Consolidated Financial Law);
- membership of the administration and control bodies of Isagro (article 122, paragraph 1 of the Consolidated Financial Law);
- prior consultation obligations regarding certain Isagro-related decisions (article 122, paragraph 1 of the Consolidated Financial Law);
- amendments to the Articles of Association and membership of the corporate bodies of Manisa and Holdisa (article 122, paragraph 1 of the Consolidated Financial Law);
- amendments to the Articles of Association and share capital increases of Isagro (article 122, paragraph 1 of the Consolidated Financial Law);
- transformation of BasJes (article 122, paragraph 1 of the Consolidated Financial Law).

The framework agreement specifically envisages that Piemme will retain control of Isagro. The duration of the agreement is different in relation to the above points, but in any event no withdrawal from the agreement is envisaged prior to its expiry.

### g2) Piemme and Gowan shareholders' agreement

The agreement was signed by the shareholders of Piemme and Gowan LLC, which at that time had no investment in Piemme (on February 5th, 2014 Gowan acquired 0.5% of Piemme).
The financial instruments covered in the agreement represent 90.261% of Piemme company capital as illustrated in the table below.

| **Piemme shareholders at 12.31.2013** | **% of syndicated capital** | **% of Piemme capital** |
|---|---|---|
| Giorgio Basile | 32,122 | 28,994 |
| Maurizio Basile | 6,950 | 6,273 |
| Maria Camilla Filippini Battistelli | 21,043 | 18,994 |
| Alessandra Basile | 19,942 | 18,000 |

| | | |
|---|---|---|
| Riccardo Basile | 19,942 | 18,000 |
| **Total** | **100,000** | **90,261** |

The agreement contains restrictions and limitations on the transfer of shares and arrangements for the exercise of voting rights at Piemme shareholders' meetings, i.e.:

- restrictions on share trading (article 122, paragraph 5b) of the Consolidated Financial Law);
- amendments to the Articles of Association of Piemme (article 122, paragraph 1 of the Consolidated Financial Law).

None of the parties to the agreement are able to exercise control over Piemme as a result of the agreement. Piemme's commitment not to transfer the shares to third parties will have a 5-year duration from the date of signing, October 18th, 2013, unless otherwise envisaged by law. There is no deadline envisaged for additional undertakings signed by Piemme shareholders.

**h) Change of control clause (pursuant to article 123-*bis*, paragraph 1h), TUF) and statutory provisions on takeover bids (pursuant to article 104 paragraph 1-*ter* and article 104-*bis* paragraph 1)**

As part of its ordinary business activities, the Issuer is party to joint venture and supply and cooperation agreements with other industrial and financial partners who, as normal in international contracts, envisage clauses offering each party the option to terminate or amend these agreements in the event of direct and/or indirect change of control of one of the parties.
The Issuer has the following significant agreements in place which include a change of control clause:

- cooperation agreement signed on September 24th, 2012 with FMC Corporation for the research and development of a new proprietary fungicide discovered by the Isagro S.p.A. Research Centre (formerly Isagro Ricerca S.r.l.). If change of control should occur for any one of the parties, the agreement envisages that, prior to presentation of the complete dossier for the registration of Technical Products by Isagro S.p.A. and FMC, in the European Union and USA respectively and without permission from the other party, it may be terminated in accordance with the terms of the underlying agreement;
- regional commercial agreement with the Syngenta Group for the supply and marketing of the *Remedier* biological fungicide. The underlying contract to the agreement envisages that, in the event of change of control of one of the parties, the other may exercise the option to terminate the arrangement with immediate effect;
- commercial agreement with the Syngenta Group for the supply and distribution of a copper-based fungicide in a vast area of Europe. The underlying contract to the agreement envisages that, in the event of change of control of one of the parties, the other may exercise the option to terminate the arrangement with immediate effect.

Note that the Articles of Association do not envisage exceptions to the passivity rule referred to in article 104, paragraphs 1 and 2 of the Consolidated Financial Law, and do not contemplate application of the neutralisation rules pursuant to article 104-*bis*, paragraphs 2 and 3 of the Consolidated Financial Law.

**i) Delegation of powers to issue new share capital and authorisations to purchase treasury shares (pursuant to article 123-*bis*, paragraph 1m), TUF)**

At present no powers have been delegated to the directors in relation to share capital increases pursuant to article 2443 of the Italian Civil Code and there is no plan envisaging powers being granted to the directors for the issue of equity instruments.

It should be remembered that in 2009 the Shareholders' Meeting, with resolution of April 30th, 2009, renewed the authorisation granted to the Board of Directors to purchase and sell the Issuer's treasury shares. This authorisation, with a duration of 18 months from the date of the resolution, expired on December 31st, 2010 and has not been renewed.

As at December 31st, 2013, the Company holds 50,000 treasury shares, equal to 0.285% of the share capital, for a total value of € 162,410.36. None of the subsidiaries and associates holds Isagro S.p.A. shares.

**l) Activity of direction and coordination (pursuant to article 2497 *et seq.* of the Italian Civil Code)**

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, the Issuer is subject to the direction and coordination of Holdisa S.r.l., which holds 9,600,000 ordinary shares, equal to 54.70% of its share capital.

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Lastly, it should be emphasised that:

- the information required under article 123-*bis*, paragraph 1i) ("*agreements between the company and directors* [...] *that contemplate the payment of emoluments in the event of resignation or unfair dismissal or termination of office following a takeover bid*") are contained in the "Report on Remuneration of Directors and executives with strategic responsibilities", published in compliance with article 123-*ter* of the Consolidated Financial Law, attached to this Report and available at the Company's registered office and website (www.isagro.com – corporate governance section);
- the information required under article 123-*bis*, paragraph 1l), ("*the regulations applicable in the appointment and replacement of directors* [...] *and to amendment of the Articles of Association, if different from the legal and regulatory provisions applicable as supplementary*") are illustrated in section 4.1 "Board of Directors" in this Report.

## 3. COMPLIANCE (pursuant to article 123-*bis*, paragraph 2a), TUF)

The Issuer has adopted the Code (approved in March 2006 and amended in December 2011), available to the public on the Borsa Italiana website (www.borsaitaliana.it), as the basis for its effective corporate governance.

The new version of the Code (issued in December 2011) was formally adopted by resolution of the Board of Directors on March 13th, 2012.

Neither the Issuer nor any of its subsidiaries of strategic importance are subject to non-Italian laws that may influence the Issuer's corporate governance structure.

## 4. BOARD OF DIRECTORS

### 4.1. APPOINTMENT AND REPLACEMENT (pursuant to article 123-*bis*, paragraph 1l), TUF)

In accordance with article 15 of the Articles of Association, governance of the Company shall be delegated to a Board of Directors consisting of five members, appointed initially in the Articles of Incorporation and subsequently elected by the Shareholders' Meeting.

Directors may be non-shareholders and shall hold office for a term of three years or less, where decided by the Shareholders' Meeting upon their appointment. Directors may be re-elected to office.

Directors are appointed by the Shareholders' Meeting on the basis of lists submitted by the shareholders and by the outgoing Board of Directors.

In accordance with article 147-*ter* of the TUF and in compliance with the Consob Regulation on Issuers, lists may be submitted by as many shareholders as represent, alone or with others, at least 2.5% of the share capital, or a different percentage established by Consob regulation[1] , and must be filed with the registered office by the deadlines envisaged in current laws and regulations. This will be mentioned in the notice of meeting. In order to demonstrate ownership of the number of shares necessary to present lists, shareholders must ensure that the related certification reaches the Issuer by the deadlines established under current regulations.

Each shareholder can submit (or jointly submit) and vote on one list only.

Shareholders party to the same shareholders' agreement pursuant to article 122 of Legislative Decree No. 58/1998, or united under a voting arrangement, whatever the form and subject of the agreement, cannot submit or vote on more than one list, individually or jointly, not even through an intermediary or trustee companies. In this regard, when submitting the list, the submitting shareholders must also file a declaration which certifies the absence of agreements or connections of any kind with other shareholders who have individually or jointly submitted lists.

[1] By Resolution no. 18775 of January 29th, 2014 Consob confirmed the 2.5% threshold.

Participation and votes expressed in violation of this prohibition shall not be attributable to any list.

Each list must contain one or more candidates who possess the requisites of independence required by law. Lists presenting three or more candidates must also include candidates from both genders, in such a way that the minority gender represents at least the number of candidates corresponding to the minimum percentage envisaged by law.

Candidates must be identified in the lists by a progressive number equal to the number of positions to be covered. Shareholders must file the following together with the lists:

(i) statements of irrevocable acceptance of office by the candidates (subject to their appointment);

(ii) attestation that the candidates meet the requisites of professionalism and competence, and that causes of ineligibility and/or forfeiture do not exist, as defined by laws and regulations in force;

(iii) a *curriculum vitae* of each candidate.

No one person may candidate in more than one list. The acceptance of candidature on more than one list will lead to ineligibility.

Directors are elected as follows:

(a) two-thirds of the directors to be appointed shall be drawn from the list receiving the majority of votes, in the progressive order of appearance on the list, rounded down where a whole number is not obtained;

(b) the remaining directors shall be drawn from other lists; for this purpose, the votes obtained by each of the lists are to be divided by one, two, three, and so on, depending on the number of directors to be appointed. The quotients obtained in this way shall then be progressively assigned to the candidates on each list, in their order of appearance. The candidates are then to be ranked on a single list on the basis of the quotients assigned them, in decreasing order. The candidates with the highest quotients shall be appointed. Where more than one list obtains the same number of votes, the shareholders present at the meeting shall vote between said lists. The candidate elected on the list obtaining a simple majority of votes shall be appointed. In any case, at least one of the Members of the Board of Directors is taken from the minority list obtaining the most votes and in no way connected, not even indirectly, to the shareholders that presented or voted on the list that came first in terms of number of votes;

(c) if as a result of the procedures referred to in points a) and b) above, is not guaranteed:

- the Board membership in compliance with the current *pro tempore* regulations on gender balance, the candidate from the minority gender elected last in progressive order in the list achieving most votes will be replaced by the first candidate from the minority gender included on that same list but not yet elected. A similar replacement will also be made in other lists achieving the election of at least one candidate, in decreasing order of the number of votes achieved, until the Board membership complies with the *pro tempore* current regulations on gender balance;

- a number of independent directors equal to at least the minimum number required by article 147-*ter*, paragraph 4 of Legislative Decree No. 58/1998, is not appointed, with respect to the overall number of directors, the non-independent candidate appointed as the last in progressive order in the list with the highest number of votes out of those that have achieved the election of at least one candidate but have not yet appointed at least one independent director, will be replaced by the first independent candidate on that list thus far not elected. A similar replacement will take place in the list that came second in terms of number of votes among those that achieved the election of at least one candidate but have not yet appointed at least one independent director, if necessary to ensure appointment of the minimum number of independent directors.

(d) lastly, if the procedure referred to in point c) above fails to ensure compliance with the *pro tempore* current regulations on gender balance and/or on the minimum number of independent directors, the Shareholders' Meeting will take place with the legal majority to appoint the missing directors subject to the presentation of candidatures of persons satisfying the necessary requisites.
Where directors are to be appointed outside the renewal of the entire Board of Directors, or where a single list or no list is submitted, the Shareholders' Meeting resolves with the legal majority and the above procedures need not be observed, in compliance with the *pro tempore* provisions in force on balance between genders and/or on the minimum number of independent directors. If one or more directors should terminate office during the year, arrangements will be made pursuant to article 2386 of the Italian Civil Code and in compliance with the *pro tempore* current regulations on gender balance and/or on the minimum number of independent directors.

Pursuant to article 16, if the resignation or other reasons results in termination of the majority of directors, the entire Board shall be considered to have resigned and a Shareholders' Meeting must be called without delay to appoint all directors.
Pursuant to article 17 of the Articles of Association, unless arranged by the Shareholders' Meeting, the Board of Directors will elect a Chairman from among its members and has the right to appoint one or more Vice Chairmen and a Secretary, who need not be a director or shareholder.

**Succession plans**

The Board of Directors of the Issuer has not yet prepared a plan for director succession.
Given the three-year term of office of all directors and the resulting need to periodically arrange the related renewal, so far it has not been necessary to adopt a formal succession plan for executive directors.

## 4.2. COMPOSITION (pursuant to article 123-*bis*, paragraph 2 d), TUF)

The current Board of Directors, with mandate due to expire on approval of the financial statements as at December 31st, 2014 was elected by list voting during the ordinary Shareholders' Meeting of April 26th, 2012, in accordance with the provisions of article 15 of the Articles of Association.

A list of 7 (seven) candidates for appointment to the Board of Directors was submitted by the majority shareholder Holdisa S.r.l..
With 54.72% of the votes as a ratio of 100% of the voting share capital, all candidates on the list submitted were elected as follows:

*Executive members*:

- Giorgio Basile, Chairman and Chief Executive Officer
- Maurizio Basile, Vice Chairman

*Non-executive members*:

- Paolo Piccardi
- Carlo Porcari
- Adriana Silvia Sartor (independent director)
- Elena Vasco (independent director)
- Antonio Zoncada (independent director)

At the Board of Directors' meeting of December 19th, 2013, the non-executive director Paolo Piccardi resigned with immediate effect. Pursuant to article 2386, paragraph 1 of the Italian Civil Code, the outgoing director was replaced by non-executive director Gianni Franco as new member of the Board of Directors, in office up to the next Shareholders' Meeting of the Company.

A brief *curriculum vitae* is provided below for each director, highlighting their competence and experience in business management.

**Giorgio Basile**: Graduate in Economics, he gained significant experience in Italy and abroad in Strategic and Sales Areas in Mobil Oil, and then moved on to Montedison, where he was Head of Strategic Coordination, before becoming Chief Executive Officer at Auschem S.p.A.. He was Chairman of Agrofarma for the four-year period 2001-2005. From July 2011 to June 2013 he was Vice Chairman with responsibility for Finance, Company Law and Tax Matters of Assolombarda, where he had previously been a member of the Executive Committee from 2005, and with responsibility for Research and Innovation for the first four years. Since June 2013 he has been a permanent member of the Executive Committee and Council of Assolombarda. For Confindustria he was a permanent member of the Technical Committee for Special Research and Innovation Projects and member of the Technical Committee for Tax in the period 2010-2013. Designated by Confindustria, he is a member of the Consultation Committee of Borsa Italiana. He is also a member of the Executive Council Committee of Federchimica and was Chairman of

Agrofarma (National Association of Agrochemical Companies) in the period 2001-2005. Since June 2013 he has been a member of the Executive Committee of Assonime (Association of Italian Public Limited Companies). He is Chairman of the Board of Directors of the Issuer and since 1994 has also been CEO.

**Maurizio Basile**: Graduate in Economics and registered auditor, he was CEO and General Manager of Aeroporti di Roma S.p.A. until April 2008. Between 2003 and 2006 he was Group General Finance Control and Equity Investments Manager of Ferrovie dello Stato S.p.A.. Between 1998 and 2003 he was Chairman and CEO of Ente Tabacchi Italiani S.p.A., and between 1990 and 1994 he was Director of Planning and Strategic Control for the Alitalia Group. He has been awarded the state honour of Grande Ufficiale di Merito of the Italian Republic. In 2010 and 2011 he was President of the Cabinet to the Mayor of Rome and CEO of ATAC S.p.A.. From 2000 to 2008 he was head of Business Methodology and Quantitative Measurement in the Economics Department of the Cassino State University. He is currently head of Management Control in the Economics Department of Luiss University in Rome. Since 2011 he has been an Independent Director of Banor SIM S.p.A., Executive Director of I.R.B.M. Science Park S.r.l. and advisor to the Federazione Italiana Tabaccai. He has been Vice Chairman of the Issuer since September 1st, 2011, and from January 1st, 2014 he is responsible for the Finance Control, Personnel, Corporate Communications and General Services business areas and for institutional relations.

**Gianni Franco**: Graduate in Agricultural Sciences, he has gained significant experience in major multinational groups in the chemicals and agrochemicals sector. Between 1970 and 1980 he was an assistant in the Phytochemicals Division of Sivam S.p.A.. From 1980 to 1986 he worked with Du Pont de Nemours as Development & Marketing Manager and Product Manager. From 1987 to 1995 he was International Strategic Marketing Director of Sipcam Oxon Group. Between 1996 and 1998 he was Managing Director at the South African branch of Sanachem Europe. From 1998 to 2000 he was Global Business Leader of Dow Agrosciences, France. He is currently a director as well as advisor and Country Manager for Italy and Portugal at Gowan Italia S.p.A.. He has been a Non-executive Director of the Issuer since December 19th, 2013.

**Carlo Porcari**: Graduate in Economics, since 2009 he has been Director and member of the Executive Committee of Banca Popolare Commercio e Industria, where he was formerly General Manager from 1993 to 2003, CEO from 2003 to 2006, and Vice Chairman from 2006 to 2009. He holds the following corporate offices in subsidiaries and associates of the UBI Group: Director and member of the Executive Committee of Banca Carime and Director of Ubi Factor, and Vice Chairman of the Board of Directors of BPCI S.p.A. He is a Non-executive Director of the Issuer.

**Adriana Silvia Sartor**: Graduate in Modern Languages and Literature, specialising in Business Development with a master's degree from Bocconi Business School (COSVIM), she joined 3M Italia's staff as translator. With Montedison she is assistant to Sen. Medici, chairman of Montedison S.p.A., for relations with foreign delegations. She has been Manager of Information Management for Siemens Data S.p.A., part of the IT R&D Division of Siemens Munich. In 1988 she joined the Elettrotec S.r.l., a company owned by her family, as Sole Director and in 2001 became Sole Director of its subsidiaries Elettro Instruments S.r.l. and Sie. Among her other

experience, she has collaborated with the team of lexicographers that prepared the Hazon Garzanti dictionary, with the IT Studies University as external professor and thesis mentor, and with the Documentation Department of CNR, Rome. For approximately 10 years she has been Vice Chairman of Confidi Province Lombarde. She has been a member of the Assolombarda Executive Council since 2006, of the Scientific Committee of Promos since 2010 and from 2008 to 2012 was Vice Chairman of Confindustria Lombardia. Since 2012 she has been coordinator of the Business Internationalisation Technical Committee for the Special Expo 2015 Project headed by the Chairman Diana Bracco. She is an Independent Director of the Issuer.

**Elena Vasco**: Graduate in Economics, from 1992 to 1997 she gained important experience as Investments and Special Affairs Officer with Mediobanca. From 1997 to 2002 she was Manager of the Planning, Control and Strategic Development Department of Holding di Partecipazioni Industriali S.p.A.. From 2002 to 2003 she was Chief Executive Officer of the radio broadcasting group headed by RCS and in 2004 was appointed Head of Strategic and Special Affairs Management of RCS MediaGroup S.p.A.. From 2005 to 2006 she was advisor on extraordinary finance operations in the fashion, publishing, thermal and clinical engineering sectors. From 2006 to 2009 she was Head of the Administration, Finance, Planning and Control Division of Milano Serravalle Milano Tangenziali S.p.A. From 2009 she was Head of the Resources and Assets Department of the Milan CCIAA (Chamber of Commerce) and from 2012 was Vice General Secretary of the same organisation. In April 2013 she joined the Board of Directors of Banca Carige Italia. She is an Independent Director of the Issuer.

**Antonio Zoncada**: Graduate in Economics. In 2007 he was appointed Treasurer of Assolombarda, in 2006 Vice Chairman of Fonchim (supplementary pension fund for the chemical sector), and until 2011 was Director of Faschim. From 1985 to 2005 he covered various roles in the BASF Group, until becoming CEO and General Manager. He is a member of the Supervisory Board of Banca Popolare di Sondrio, Chairman of the Supervisory Board of Bracco S.p.A., Chairman of the Board of Auditors of Confindustria, and member of the Board of Directors of Innovhub - Stazioni Sperimentali per l'Industria, the Special Company of the Milan Chamber of Commerce. Since 2012 he has been Senior Advisor of Stanton Chase International. He is an Independent Director of the Issuer.

| *STRUCTURE OF THE BOARD OF DIRECTORS* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Assignment | In office since | List (M/m) | Exec. | Non-exec. | Indep. under Code | Indep. under TUF | % meet ings | Other assignments |
| Giorgio BASILE | Chairman and Chief Executive Officer | 06.21.94 | M | X | | | | 100 | - |
| Maurizio BASILE | Vice Chairman | 04.26.06 | M | X | | | | 100 | **Banor SIM S.p.A.** Independent Director **I.R.B.M. Science Park S.r.l.** Chief Executive |
| Gianni FRANCO | Director | 12.19.13 | M | | X | | | 100 | **Gowan Italia S.p.A.** Director |
| Carlo PORCARI | Director | 12.22.97 | M | | X | | | 100 | **Banca Popolare Commercio e Industria S.p.A.** Director and Executive Committee Member<br>**Ubi Factor S.p.A.** Director<br>**Banca Carime S.p.A.** Director and Member Executive Committee<br>**BPCI S.p.A.** Vice Chairman Board of Directors |
| Adriana Silvia SARTOR | Director | 04.26.12 | M | | X | X | X | 100 | **Confidi Province Lombarde** Vice Chairman |
| Elena VASCO | Director | 04.26.12 | M | | X | X | X | 81.4 | **Banca Carige Italia** Director **Orizzonte Sgr** Director |
| Antonio ZONCADA | Director | 04.29.08 | M | | X | X | X | 100 | **Fonchim** Vice Chairman **Innovhub** Director |
| *DIRECTORS TERMINATING OFFICE DURING THE REPORTING PERIOD* | | | | | | | | | |
| Paolo PICCARDI | Director | 06.22.98 | M | | X | | | 100 | - |
| ***Quorum* required for filing of lists at the last appointment: 2.5%** | | | | | | | | | |

| no. of meetings held in the reporting period: 7 |
|---|

KEY:
**Assignment**: Chairman, Vice Chairman, Chief Executive Officer, etc.;
**List**: "M" and "m" indicate whether the Director was elected from a list voted, respectively, by a majority or minority (pursuant to article 144-*novies* of the Consob Regulations on Issuers);
**Exec.**: Executive Director;
**Non-exec.**: Non-executive Director;
**Indep. under Code**: Independent Director as per the criteria set forth in the Code;
**Indep. under TUF**: Independent Director as per the criteria for independence set forth in article 148, paragraph 3 of the TUF (article 144-*novies* of the Consob Regulations on Issuers);
**% meetings**: the attendance level of the Director at Board meetings, expressed as a percentage;
**Other assignments**: Indicates the companies listed on regulated markets (also foreign), financial companies, banks, insurance companies or large-sized companies in which the Director holds appointments, as defined by Board and Code criteria.

| ***STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES*** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Assignment | E.C. | %E.C. | A.C. | % A.C. | R.C. | % R.C. | C.R.C. | % C.R.C. |
| Giorgio BASILE | Chairman and Chief Executive Officer | N/A | N/A | | | | | | |
| Maurizio BASILE | Vice Chairman | N/A | N/A | | | | | | |
| Gianni FRANCO | Director | N/A | N/A | | | | | | |
| Carlo PORCARI[2] | Director | N/A | N/A | M | 100 | M | 100 | | |
| Adriana Silvia SARTOR | Director | N/A | N/A | C | 100 | C | 100 | M | 100 |
| Elena VASCO | Director | N/A | N/A | | | | | | |
| Antonio ZONCADA | Director | N/A | N/A | M | 100 | M | 100 | C | 100 |
| *DIRECTORS TERMINATING OFFICE DURING THE REPORTING PERIOD* | | | | | | | | | |
| Paolo PICCARDI | Director | N/A | N/A | | | | | | |
| | | | | | | | | | |
| **no. of meetings held in the reporting period** | | N/A | N/A | 3 | - | 3 | - | 5 | - |

KEY:
**E.C.**: Executive Committee; "C" indicates Chairman - "M" indicates Member of the Executive Committee;
**% E.C.**: the attendance level of the Director at Executive Committee meetings, expressed as a percentage;
**A.C.**: Nomination Committee; "C" indicates Chairman - "M" indicates Member of the Nomination Committee;

[2] Note that, further to the provisions of article 37 of Consob's Regulation on Markets regarding the composition of internal board committees and the related exclusive membership of independent directors, on June 30th, 2013 Carlo Porcari resigned from his office as member of the Nomination and Remuneration Committee with immediate effect. As a result of his resignation, on July 24th, 2013 the Board endorsed membership of the Committee as Adriana Silvia Sartor (Chairman) and Antonio Zoncada, both independent directors. The membership of the Committee complies with the provisions of criterion 4.C.1., paragraph a) and principle 7.P.4 of the Code, in accordance with which, respectively, as in the case in question, the Committee membership can comprise only two directors, provided they are both independent, if the Board of Directors has no more than eight members and - if the Issuer is subject to direction and coordination by another company - the Committee members must be independent directors only.

**% A.C.**: the attendance level of the Director at Nomination Committee meetings, expressed as a percentage;
**R.C.**: Remuneration Committee; "C" indicates Chairman - "M" indicates Member of the Remuneration Committee;
**% R.C.**: the attendance level of the Director at Remuneration Committee meetings, expressed as a percentage;
**C.R.C.**: Control and Risk Committee; "C" indicates Chairman - "M" indicates Member of the Internal Control and Risk Committee;
**% C.R.C.**: the attendance level of the Director at Control and Risk Committee meetings, expressed as a percentage;
**N/A**: not applicable.

As at year-end, the members of the Board of Directors of the Issuer had not changed.

**Maximum number of assignments in other companies**

Directors of the Issuer accept appointment to the Board when they believe they can dedicate the time necessary to perform their duties diligently, compatibly with the number and nature of other assignments they may hold. It is the practice of the Board to request disclosure from all its members of any offices they hold as directors or statutory auditors in other companies listed on regulated markets (also foreign), financial companies, banks, insurance companies or large companies as identified by criterion 1.C.2. of the Code.

In compliance with the recommendations of criterion 1.C.3. of the Code, the Board of Directors, by resolution carried on March 24th, 2009 and with the approval of the Board of Statutory Auditors, set a maximum number on the assignments that directors may hold compatibly with the diligent performance of the office of Company director, also taking into account Directors' participation in Board committees. The number of appointments that directors may hold as directors or statutory auditors in other companies listed on regulated markets (including foreign ones), financial companies, banks, insurance companies or large-sized companies is a total of 4 (four).
The current membership of the Board complies with the aforementioned criteria.

***Induction***

The organisation and contents of Board of Directors' meetings, as well as the attendance of Committee meetings, guarantee constant updating of the directors and statutory auditors as regards company performance and the reference market. The directors and statutory auditors are also constantly updated on the main regulatory changes.

## 4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to article 123-*bis*, paragraph 2d), TUF)

In 2013, 7 (seven) meetings of the Board of Directors of the Issuer were held. The average duration of the Board meetings was approximately three hours.
For 2014 at least 6 (six) meetings are planned, 3 (three) of which were already held on January 24th, February 4th and March 4th, 2014.
The promptness and completeness of pre-meeting information are guaranteed by the Corporate Affairs Department of the Company, which in coordination with and support from the company departments concerned ensures all necessary documents are prepared as required for discussion of the items on the agenda. Their forwarding to directors and statutory auditors is arranged by the Secretary to the Board of Directors, who arranges this reasonably in advance of the meeting date, also taking into account any confidentiality and urgent needs associated with certain topics. The Board considers that, in most cases, the documentation on items on the agenda should be sent to directors and statutory auditors at least 2 (two) business days prior to the meeting. Particularly complex documents or those relating to particularly significant transactions must be sent at least 3 (three) business days prior to the meeting. The Board considers that these criteria were complied with as normal during the year ending December 31st, 2013. If for organisational or confidentiality reasons it is not possible or appropriate to send documentation prior to the meeting in accordance with the above deadlines, the documents are handed out at the meeting itself, whilst in other cases the information must be supplemented during the course of the board meeting.
In addition, the Chairman of the Board of Directors ensures that time for discussion on the agenda items is necessary to allow constructive debate and, during the meetings, encourages contributions from Directors.
As standard practice, persons external to the Board are invited to Board of Directors' meetings, in particular Executives and/or Managers of company departments with specific responsibilities and skills in issues discussed by the Board of Directors, in compliance with the provisions of criterion 1.C.6. of the Corporate Governance Code.

### *Role of the Board of Directors*

Pursuant to article 21 of the Company's Articles of Association, the Board of Directors is invested with the broadest powers for the ordinary and extraordinary management of the Company, without exception of any kind, and has the power to carry out all actions necessary to reach the corporate objectives, with the exception of those powers identified by law to reside with the Shareholders' Meeting.

More specifically, in accordance with criterion 1.C.1 of the Code, the standard duties of the Board of Directors are as follows:

(i) examines and approves the strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring implementation; it defines the Issuer's corporate governance and the structure of the Group;

(ii) defines the nature and level of risk compatible with the Issuer's strategic objectives;

(iii) evaluates the adequacy of the organisational, administrative and general accounting structures of the Issuer as well as of its subsidiaries of strategic importance as prepared by the Chief Executive Officers, with particular reference to the system of internal control and risk management;

(iv) establishes the frequency, in any case no less than one every three months, with which the relevant Directors must report to the Board on the activities carried out in the exercise of the powers delegated to them;

(v) evaluate the general performance of the Company, taking into consideration, in particular, the information received from the delegated bodies and periodically comparing the results achieved with those planned;

(vi) resolves upon transactions to be carried out by the Issuer or its controlled companies having a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position;

(vii) at least once a year, performs a functional assessment of the Board and its Committees, as well as regards their size and composition, also taking into account elements such as professional characteristics, experience (including managerial experience), and the gender and seniority in office of its members;

(viii) in order to ensure the correct handling of corporate information, on recommendation from the Chairman of the Board of Directors adopts a procedure for the internal management and external disclosure of documents and information regarding the Issuer, with particular reference to price sensitive information.

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In 2013, the Board of Directors of the Board of Directors of the Issuer conducted the following activities, in compliance with criterion 1.C.1 of the Code:

- examined and approved the strategic, industrial and financial plans of the Issuer and the Group, the corporate governance system of the Issuer and the Group structure. Specifically, on March 4th, 2013 the Board of Directors approved the draft of financial statements of Isagro S.p.A. as at December 31st, 2012 and the Isagro Group consolidated financial statements as at December 31st, 2012; it also approved the financial statements as at December 31st, 2012 of the merged company Isagro Ricerca S.r.l.; approved a first version of the Group Business Plan for 2014-2018, in this respect defining the nature and level of risk compatible with the Issuer's strategic objectives;

- assessed the general operating performance on a quarterly basis, taking into particular consideration the information received from the delegated bodies, and periodic comparison of the results achieved against the Budget and Business Plan objectives;

- assessed and approved the strategic transactions completed by the Issuer during 2013;

- at the Board of Directors' meeting of March 13th, 2013, in accordance with recommendations of criterion 1.C.1. of the Code, performed the Board Evaluation in relation to performance of the Board and its committees, as well as their size and membership, verifying that with respect to activities conducted by the Company, its various members - executive, non-executive and independent - are adequately represented and their professional and managerial expertise, also of an international nature, taking into account the potential benefits from presence on the Board of the different genders, age ranges and office seniority. The Board Evaluation, which began a few months prior to that Board meeting, was performed through the issue of a summary self-assessment questionnaire to each board member, prepared by the Corporate Affairs department with support from an external advisor, specialised and independent. The results of the procedure were discussed during the Board meeting, considered the self-assessment process to be profitable and expressed overall consensus of the adequacy of the method adopted. With regard to the Board of Directors profiles, the opportunity was noted to strengthen the board in legal terms;

- approved and favourably accepted the strengthening of the organisational setup of Isagro that began a few months earlier, and in particular that of the Marketing & Sales and Research areas;

- on recommendation from the Nomination and Remuneration Committee and with opinion in favour from the Board of Statutory Auditors, approved the remuneration and variable incentive plans for Directors; it also approved the updates to Regulations, budget and remuneration of members of the Control and Risk Committee, Nomination and Remuneration Committee, the Internal Audit Department budget and remuneration of members of the Supervisory Board; approved allocation of the annual budget of the Manager responsible for preparing the corporate accounting documents pursuant to article 154-*bis* of Italian Legislative Decree 58/1998, in compliance with the provisions of law and the Articles of Association on such matters;

- approved the Company's new organisational structure, in force from January 1st, 2014; repealed previous powers and assigned new powers to Company representatives, defining their limits and exercise methods;

- approved the update to "Internal regulations governing the management and treatment of confidential information and the external disclosure of documents and information", and the "Procedure for managing operations with related parties";

- approved the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, updated to include the new offences introduced in relation to offences

against Public Administration and corporate offences, and with amendments deriving from changes to company organisation and authorised the action necessary for effective implementation of the Organisation Model;

- approved the Report on Corporate Governance and the Ownership Structure pursuant to article 123-*bis* of Legislative Decree 58/1998 and the Remuneration Report, with related tables (at the same time approving the update to the general Policy on the remuneration of Directors and Executives with strategic responsibilities of the Issuer);

- with support from the Control and Risk Committee, assessed the adequacy of the internal control and risk management system; positively assessed the opportunity recommended by the Control and Risk Committee which, on the basis of best practices and reference legal theory on corporate governance matters, had pointed out the need to implement a structured risk management process and establish the role of risk manager dedicated to its management;

- acknowledged the report on the CIGO procedure (Cassa Integrazione Guadagni Ordinaria) launched during 2013 at certain Issuer plants in Italy and the report on the transfer procedure launched by the Company (disclosure pursuant to article 24, Italian Law 223/1991 issued on November 28th, 2013).

Note that on the basis of revenues generated, the subsidiaries Isagro Asia (Agrochemicals) Pvt. Ltd. and Isagro USA Inc. were identified as of strategic significance.

With regard to criterion 1.C.4 of the Code, we report that in 2013 the Shareholders' Meeting of the Issuer did not adopt resolutions of any kind entailing exception to the non-competition clause envisaged in article 2390 of the Italian Civil Code.

## 4.4. EXECUTIVE OFFICES

### Chief Executive Officers

In accordance with article 17 of the Articles of Association, the Board of Directors may delegate its powers to an Executive Committee formed of several of its members, or to one or more of its own members, setting the limits of such powers at the time of the appointment, in compliance with the limits set forth in article 2381 of the Italian Civil Code.

The Board of Directors may also appoint directors, administrators, *ad negotia* and *ad litem* attorneys, and representatives in general to perform certain acts or categories of acts.

The Chairman of the Board of Directors and the Chief Executive Officers, when appointed, are vested with disjoined signatory powers and the power to represent the Company before third

parties and the courts, including the power to file legal and administrative actions at all levels of jurisdiction.

In accordance with the Articles of Association, the Company may be legally represented by non-directors appointed by the Board of Directors within the limits and for the exercise of its powers.

**Chairman of the Board of Directors**

The Chairman of the Board of Directors, Giorgio Basile, holds the office of Chief Executive Officer.

On May 10th, 2012, the Board of Directors of the Issuer vested the Company's Chairman and Chief Executive Officer with the necessary powers to represent the Company by means of a separate and disjoined signature, within the limits of the assigned powers. The reason for assigning these operating powers to the Chairman of the Board lies in consideration of the fact that he is one of the key figures that has made an important contribution to the Group's development, given his many years' experience in the Group's business sector and the significant role he has played in managing the Issuer's activities makes him an important resource. The potential risks deriving from plurality of the two offices of Chairman and Chief Executive Officer are mitigated by the presence of the Lead Independent Director, reference to which is made in paragraph 4.7 of this Report.

Note that, as recommended in criterion 2.C.5. of the Corporate Governance Code, there are no cross-directorship positions.

The Board of Directors delegated the legal representation of the Company before third parties and the courts to the Chairman and Chief Executive Officer, Giorgio Basile, along with the following powers for ordinary management of the Company, freely exercisable by separate signature (unless established otherwise), specifying that for the purpose of the following powers those of the Chairman and CEO and the Vice Chairman of the Company are to be considered 1st level and any others as 2nd level as defined internally:

a) to appear and represent the Company before Ministries, Chambers of Commerce, Social Security and Insurance Institutions, Tax Authority and other entities, and file, negotiate and settle disputes, claims and business of any kind concerning the Company;

b) to represent the Company in performing all acts necessary for the safeguarding, protection, performance of obligations and acquisition of Company rights, including therein claims for the recovery of goods and statements, appeals and applications lodged with Credit Institutions, administrative, financial and judicial authorities of any kind and level, also with regard to foreign exchange and taxation matters; to negotiate settlements relating to disputes with public entities and offices, including the Registrar's Office and Tax Offices, and present cases before tax commissions of all levels, with the power to negotiate settlements on tax matters and file for tax refunds and refunds of contributions paid for any reason by the Company, with the

power to collect and acknowledge receipt;

c) to sign on behalf of the Company applications filed with State, Regional and Local or any other Public Offices for authorisations, licences and permits, signing any document requested and accepting the obligations and conditions attached to said authorisations, licences and permits, and performing all acts and transactions necessary for this purpose; to forfeit any concessions, authorisations and licences granted; to submit and comply with any application with state and local entities aimed at obtaining tax concessions and subsidies envisaged by state laws and undertake relative commitments;

d) to authorise registrations with or cancellations from the Public Automobile Register, exonerating registrars from all liability;

e) to withdraw money from banks by means of a separate signature up to the amount of € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts between € 500,000 (five hundred thousands) and € 2,000,000 (two million) for each transaction, all within the limit of bank credit lines, in the form of cheques, money orders and bank transfers to third parties; to deposit bank cheques or non-bank cheques; to give power to banks to arrange the discounting, collection and/or clearance of promissory notes, bills of exchange, cash orders, money orders and similar;

f) to execute any banking transaction regarding advances on cash orders and invoices issued by Italian and foreign customers, as well as advances on payments due to foreign suppliers, transfers of funds across each Company's bank accounts, and transfers of funds between the several banks;

g) to request the release of guarantees to Credit Institutes for and on behalf of the Company for up to € 1,000,000 (one million) by means of separate signature, for amounts exceeding € 1,000,000 (one million) and up to € 4,000,000 (four million) by a joint 1st or 2nd level signature for each transaction;

h) to request and to obtain from banks, Credit Institutions and from financial companies and entities, ordinary and umbrella lines of credit by means of a separate signature up to € 20,000,000 (twenty million). These transactions must be communicated to the Board of Directors;

i) to request and to obtain from Credit Institutions and/or factoring companies, factoring facilities by means of a separate signature up to € 30,000,000 (thirty million), including the execution of any related contracts, credit transfer, pledges, collection orders, and in general all else related to factoring, all with promise of full ratification and approval, also in regard to transactions already executed, with no exception whatsoever and relieving Credit Institutions and/or factoring companies of any related liability. It is understood that the maximum amount for each factoring transaction is considered added to the amount of ordinary and umbrella lines of credit. These transactions must be communicated to the Board of Directors;

j) to assign all powers to assume, grant, amend and extinguish contracts covering any form of financing involving Company's subsidiaries and/or related companies, and to

release guarantees, including letters of guarantee, declarations of payment and letters of patronage in the interest of Company's subsidiaries and/or associates pursuant to article 2359 of the Italian Civil Code and within the limit of the line of credit granted by each individual Credit Institution. These transactions must be communicated to the Board of Directors;

k) to assign any power to assume, grant, amend and extinguish collateral in any form as part of transactions carried out in exercising the powers granted. These transactions must be communicated to the Board of Directors;

l) to start or end relations with banks and Credit Institutes by opening bank and post office current accounts;

m) to execute exchange rate, interest rate and commodity price hedges and repurchase agreements by means of a separate signature up to € 5,000,000 (five million) and a joint 1st or 2nd level signature for amounts exceeding € 5,000,000 (five million) for each transaction;

n) to secure the provision of basic services to the Company, such as power supply, telephone and telex services, etc. and to sign any related contracts;

o) to enter into, sign, transfer and terminate insurance policies against fire, public liability, theft, credit and country risks involving Italian and foreign customers, as well as any other risk which it is considered the Company should be protected;

p) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of goods, registered movables not recorded in Public Records, machinery and other equipment, as well as the provision of services for purposes relating to company business by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;

q) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of buildings, equity investments and intangible assets by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction, provided that they do not exceed 20% of the Company's shareholder's equity. If necessary, to enter into confidentiality agreements as regards intangibles;

r) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase, sale or licensing of trademarks, patents, industrial, utility and design patents, technical processes, intellectual property and know-how by separate signature up to € 500,000 (five hundred thousand) and joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;

s) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the distribution of goods and products;

t) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering contract work payable or receivable;

u) to submit a tender for contracts with Ministries, Public Administrations, Public and private Entities in Italy and abroad covering the provision of goods and services, and, in the event of award of contract, to execute the related contracts;

v) to grant discounts or deductions in regard to commercial transactions by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;

w) to sign and to withdraw currency statements with or without regulation, as well as any other statement concerning regulations for the compensation of obligations between residents and non-residents; to sign and to endorse invoices, goods circulation certificates, applications and statements necessary to carry out the aforementioned transactions, including declarations for the transfer of goods within the EU;

x) to issue promissory notes and bills of exchange in favour of third parties for up to € 250,000 (two hundred and fifty thousand) per transaction with separate signature, and up to € 2,000,000 (two million) per transaction with joint signature with the Company's Vice Chairman. Such transactions must be reported to the Board of Directors (*this power was assigned by the Board of Directors on August 2nd, 2012, to supplement the powers already assigned by resolution of May 10th, 2012*).

y) to collect any amount due to the Company by natural persons or legal entities, and to give valid receipts; to transfer, discount and accept drafts and promissory notes issued by customers in the interest of the Company, or transferred to the Company; to accept or perform payments by instalments;

z) to appoint and/or to revoke the appointment of special and ordinary attorneys for executing one or more acts or categories of acts, specifying the powers granted to them;

aa) to hire Company staff, determining their wages and salaries, to sign employment contracts, to dismiss or suspend employees, to appoint and dismiss agents, determining their commissions, to sign contracts with outside professionals concerning professional performances.

**Executive Committee (pursuant to article 123-*bis*, paragraph 2), TUF)**

The Board of Directors of the Issuer has not established an Executive Committee.

**Information to the Board**

The Board evaluate the general performance of the Company taking into consideration, in particular, the information received from the Chief Executive Officer and periodically comparing the results achieved with those planned.

Specifically, at each Board of Directors' meeting and at least once every quarter:

- the Chief Executive Officer or other directors assigned special powers provide suitable reports to the Board of Directors and Board of Statutory Auditors on the exercise of such powers;
- the Chief Executive Officer reports on general business performance and outlook, on the most significant transactions in economic, financial and equity terms performed by the Company and its subsidiaries, as well as on transactions in potential conflict of interest.

During the year, in order to offer directors a better understanding of corporate dynamics and events, certain Company managers were invited to attend meetings of the Board of Directors, Control and Risk Committee and Board of Statutory Auditors.

## 4.5. OTHER EXECUTIVE DIRECTORS

Alongside the Chairman and CEO, discussed in the previous sections, the following Executive Director also sits on the Board, responsible for executive offices of the Issuer:

**Maurizio Basile**, in his role as Vice Chairman of the Issuer, on May 10th, 2012 received from the Board, in addition to the legal representation of the Company before third parties and the courts, the following powers for ordinary management of the Company, to be freely exercised by means of a separate signature (unless established otherwise), specifying that for the purpose of the following powers those of the Chairman and CEO and the Vice Chairman of the Company are to be considered 1st level and any others as 2nd level as defined internally:

a) to appear and represent the Company before Ministries, Chambers of Commerce, Social Security and Insurance Institutions, Tax Authority and other entities, and file, negotiate and settle disputes, claims and business of any kind concerning the Company;

b) to represent the Company in performing all acts necessary for the safeguarding, protection, performance of obligations and acquisition of Company rights, including therein claims for the recovery of goods and statements, appeals and applications lodged with Credit Institutions, administrative, financial and judicial authorities of any kind and level, also with regard to foreign exchange and taxation matters; to negotiate settlements relating to disputes with public entities and offices, including the Registrar's Office and Tax Offices, and present cases before tax commissions of all levels, with the power to negotiate settlements on tax matters and file for tax refunds and refunds of contributions paid for any reason by the Company, with the

power to collect and acknowledge receipt;

c) to sign on behalf of the Company applications filed with State, Regional and Local or any other public offices for authorisations, licences and permits, signing any document requested and accepting the obligations and conditions attached to said authorisations, licences and permits, and performing all acts and transactions necessary for this purpose; to forfeit any concessions, authorisations and licences granted; to submit and comply with any application with state and local entities aimed at obtaining tax concessions and subsidies envisaged by state laws and undertake relative commitments;

d) to authorise registrations with or cancellations from the Public Automobile Register, exonerating registrars from all liability;

e) to withdraw money from banks by means of a separate signature up to the amount of € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts between € 500,000 (five hundred thousands) and € 2,000,000 (two million) for each transaction, all within the limit of bank credit lines, in the form of cheques, money orders and bank transfers to third parties; to deposit bank cheques or non-bank cheques; to give power to banks to arrange the discounting, collection and/or clearance of promissory notes, bills of exchange, cash orders, money orders and similar;

f) to execute any banking transaction regarding advances on cash orders and invoices issued by Italian and foreign customers, as well as advances on payments due to foreign suppliers, transfers of funds across each Company's bank accounts, and transfers of funds between the several banks;

g) to request the release of guarantees to Credit Institutions for and on behalf of the Company for up to € 1,000,000 (one million) by means of separate signature, for amounts exceeding € 1,000,000 (one million) and up to € 4,000,000 (four million) by a joint 1st or 2nd level signature for each transaction;

h) to request and to obtain from Credit Institutions and from financial companies and entities, ordinary and umbrella lines of credit by means of a separate signature up to € 20,000,000 (twenty million). These transactions must be communicated to the Board of Directors;

i) to request and to obtain from Credit Institutions and/or factoring companies, factoring facilities by means of a separate signature up to € 30,000,000 (thirty million), including the execution of any related contracts, credit transfer, pledges, collection orders, and in general all else related to factoring, all with promise of full ratification and approval, also in regard to transactions already executed, with no exception whatsoever and relieving Credit Institutions and/or factoring companies of any related liability. It is understood that the maximum amount for each factoring transaction is considered added to the amount of ordinary and umbrella lines of credit. These transactions must be communicated to the Board of Directors;

j) to assign all powers to assume, grant, amend and extinguish contracts covering any form of financing involving Company's subsidiaries and/or related companies, and to

release guarantees, including letters of guarantee, declarations of payment and letters of patronage in the interest of Company's subsidiaries and/or associates pursuant to article 2359 of the Italian Civil Code and within the limit of the line of credit granted by each individual credit institution. These transactions must be communicated to the Board of Directors;

k) to assign any power to assume, grant, amend and extinguish collateral in any form as part of transactions carried out in exercising the powers granted. These transactions must be communicated to the Board of Directors;

l) to start or end relations with banks and Credit Institutes by opening bank and post office current accounts;

m) to execute exchange rate, interest rate and commodity price hedges and repurchase agreements by means of a separate signature up to € 5,000,000 (five million) and a joint 1st or 2nd level signature for amounts exceeding € 5,000,000 (five million) for each transaction;

n) to secure the provision of basic services to the Company, such as power supply, telephone and telex services, etc. and to sign any related contracts;

o) to enter into, sign, transfer and terminate insurance policies against fire, public liability, theft, credit and country risks involving Italian and foreign customers, as well as any other risk which it is considered the Company should be protected;

p) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of goods, registered movables not recorded in Public Records, machinery and other equipment, as well as the provision of services for purposes relating to Company business by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;

q) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of buildings, equity investments and intangible assets by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction, provided that they do not exceed 20% of the Company's shareholder's equity. If necessary, to enter into confidentiality agreements as regards intangibles;

r) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase, sale or licensing of trademarks, patents, industrial, utility and design patents, technical processes, intellectual property and know-how by separate signature up to € 500,000 (five hundred thousand) and joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;

s) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the distribution of goods and products;

t) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering contract work payable or receivable;

u) to submit a tender for contracts with Ministries, Public Administrations, Public and private Entities in Italy and abroad covering the provision of goods and services, and, in the event of award of contract, to execute the related contracts;

v) to grant discounts or deductions in regard to commercial transactions by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 1st or 2nd level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;

w) to sign and to withdraw currency statements with or without regulation, as well as any other statement concerning regulations for the compensation of obligations between residents and non-residents; to sign and to endorse invoices, goods circulation certificates, applications and statements necessary to carry out the aforementioned transactions, including declarations for the transfer of goods within the EU;

x) to issue promissory notes and bills of exchange in favour of third parties for up to € 250,000 (two hundred and fifty thousand) per transaction with separate signature, and up to € 2,000,000 (two million) per transaction with joint signature with the Company's Vice Chairman. Such transactions must be reported to the Board of Directors (*this power was assigned by the Board of Directors on August 2nd, 2012, to supplement the powers already assigned by resolution of May 10th, 2012*).

y) to collect any amount due to the Company by natural persons or legal entities, and to give valid receipts; to transfer, discount and accept drafts and promissory notes issued by customers in the interest of the Company, or transferred to the Company; to accept or perform payments by instalments;

z) to appoint and/or to revoke the appointment of special and ordinary attorneys for executing one or more acts or categories of acts, specifying the powers granted to them;

aa) to hire Company staff, determining their wages and salaries, to sign employment contracts, to dismiss or suspend employees, to appoint and dismiss agents, determining their commissions, to sign contracts with outside professionals concerning professional performances.

## 4.6. INDEPENDENT DIRECTORS

Also based on information provided by the directors, the Board of Directors performs an annual assessment of each Board member, the continued possession of independence requisites and discloses the results to the market.

It is hereby specified that 3 (three) non-executive directors, namely Antonio Zoncada, Elena Vasco and Adriana Silvia Sartor, qualify as 'independent' directors in accordance with article 3 of the Corporate Governance Code and article 144-*novies* of the Consob Regulations on Issuers.

The independence of the aforementioned directors was assessed by the Board of Directors at its meeting of May 10th, 2012, following their appointment at the Shareholders' Meeting of April 26th, 2012, and the results of the assessment were disclosed to the market by means of a press release sent to Borsa Italiana in accordance with the terms and conditions of Consob regulations.

In performing its assessment as to whether independence requirements were met, the Board of Directors applied all the criteria envisaged in the Code.

The persisting characteristics of independence for the aforementioned directors was verified by the Board of Directors of the Issuer, adopting the parameters of article 3 of the Code and duly disclosed to the market, during the meeting of March 14th, 2013, based on the declarations made by the individuals concerned supported by related documents.

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In accordance with criterion 3.C.5 of the Code, after the Board of Directors' verification, the Board of Statutory Auditors confirmed the correct application of verification procedures adopted by the Board of Directors for assessing the independence of its members.

In 2013 the independent directors met 4 (four) times at the request of the Lead Independent Director, mainly to assess and analyse the following matters:

- extraordinary transactions with third parties;
- strategic projects and organizational restructuring;
- exchange of information with the Control and Risk Committee and the Supervisory Board;
- the net financial position of the Company and the Group;
- the Company's financial position and compliance with covenants;
- general performance of the Company with a focus on sales.

It should be emphasised that the directors, qualified as independent, are committed through declarations signed by each to promptly inform the Board if any situation should arise that inhibits their office and if there is any change to the aforementioned declarations during their term of office.

## 4.7. LEAD INDEPENDENT DIRECTOR

In accordance with criterion 2.C.3. of the Corporate Governance Code where plurality of offices of the Chairman of the Board of Directors and CEO are held by the Executive Director, Giorgio Basile, by resolution of May 10th, 2012, the Board of Directors appointed independent director Antonio Zoncada as Lead Independent Director. This decision stems from the need to identify the Lead Independent Director, pursuant to criterion 2.C.4 of the Corporate Governance Code, as a point of reference and coordination for the issues and contributions of non-executive directors, particularly those of independent directors. The Lead Independent Director collaborates with the Chairman to guarantee that the directors receive full and prompt information. The Lead Independent Director is also granted the power, either independently or at the request of other Board Members, to call special meetings of independent directors only in order to discuss issues

judged to be of interest with respect to the functions of the Board of Directors or to management of the Company.

## 5. TREATMENT OF CORPORATE INFORMATION

On September 25th, 2006 the Board of Directors of the Company[3] approved the adoption of the Company's "Code of Conduct" pertaining to Internal Dealing (this document can be found on the Company website www.isagro.com, in the corporate governance/codes and procedures section), thus assimilating the contents of Law No. 62 of April 18th, 2005 on market abuse and of Consob Regulations No. 11971/1999 amended by resolution 15232 of November 29th, 2005 which came into effect on April 1st, 2006.

The Code of Conduct governing internal dealing was introduced with the aim of regulating the disclosure and conduct obligations that must be respected by "relevant subjects" and their "closely connected individuals" with regard to all transactions made by the latter on the listed financial instruments of Isagro S.p.A. in order to improve transparency and informative homogeneity with regard to the market.

During 2013 the Company complied with obligations provided by the Regulations for markets organised and managed by Borsa Italiana in the public disclosure of confidential information via the SDIR-NIS system.

In accordance with the provisions of criterion 4.C.1. j) of the Corporate Governance Code, at the meeting of December 13th, 2006 the Isagro S.p.A. Board of Directors approved the "Internal regulations for the management and treatment of confidential information and for the external communication of documents and information", updated to the new version at the meeting of May 14th, 2013 in order to include certain related regulatory amendments and in compliance with changes during 2013 in the Company's organisational structure. This document is available on the Company website www.isagro.com in the corporate governance/codes and procedures section.

Moreover, in compliance with article 115-*bis* of the TUF, a "Register of persons with access to price sensitive information" (hereinafter the "Register") was created. Established on October 30th, 2006, this Register lists the names of all persons with occasional or regular access to significant or price sensitive information. Corporate Affairs is responsible for keeping, managing and updating the Register.

[3] The first version of the Code of Conduct dates back to the document approved by the Board of Directors on October 13th, 2003.

## 6. BOARD COMMITTEES (pursuant to article 123-*bis*, paragraph 2d), TUF)

The Board of Directors can establish internal committees consisting of Board members, which provide consulting support and submit proposals, setting the number of committee members and their duties and responsibilities, in accordance with laws in force governing companies listed on regulated markets.

In due consideration of the Corporate Governance Code, the Board has established two internal committees: the "Nomination and Remuneration Committee" and the "Control and Risk Committee".

Note that, pursuant to criterion 4.C.1., paragraph c), the Board decided to establish a single "Nomination and Remuneration Committee", composed of non-executive directors, the majority of which are independent and with an independent Chairman, to which the duties relating to proposed appointments and remuneration of directors are assigned. This move is justified by the Company's organisational need to group together the duties assigned to committees envisaged by the Code, in compliance with the rules on their membership, and the need for flexibility, also taking into consideration the size of the Board of Directors.

It should be emphasised that, under the coordination of the Chairman, no responsibility for one or more committees is reserved to the Board of Directors.

Other committees not contemplated in the aforementioned Code have not been established, except for the "Committee of Independent Directors" set up to perform the tasks indicated in the "Procedure for managing operations with related parties" pursuant to Consob Resolution no. 17221 of March 12th, 2010, and subsequent amendments.

## 7. NOMINATION COMMITTEE

### Composition and duties of the Nomination Committee (pursuant to article 123-*bis*, paragraph 2d), TUF)

Established by Board of Directors resolution of May 10th, 2012, the membership of this committee was updated, by resolution of the Board dated July 24th, 2013[4], to include also the duties of the Remuneration Committee. It is composed of 2 (two) independent directors, Adriana Sartor (Chairman) and Antonio Zoncada. The Committee membership therefore complies with criterion 4.C.1. of the Code, according to which the Committee can have at least 2 (two) members if the Board of Directors has at least 8 (eight) members, provided both are independent.

Note that in 2013 the Committee held 3 (three) meetings, and in 2014 plans 4 (four) meetings, of

[4] Reference should be made to the information provided in section 2 of this Report.

which 1 (one) already held on February 27th, 2014. The average duration of meetings is approximately one hour, attended by all members.

In addition to its own members, Committee meetings are also attended by other parties as invited by the Committee for the discussion of specific individual items on the agenda.

**Duties of the Nomination Committee**

In accordance with criterion 5.C.1. of the Code and as envisaged in the Committee's Regulation, the Nomination Committee was assigned the following functions:

- formulate opinions to the Board of Directors concerning its size and composition of the Board, and express recommendations on the professional figures whose presence on the Board is deemed appropriate, as well as on issues referred to in criteria 1.C.3 and 1.C.4 of the Code.
- propose candidates to the Board of Directors to be co-opted as director if an independent director needs to be replaced;
- where the Board of Directors' adoption of a succession plan is envisaged, the Committee manages the initial plan preparation stages.

The main activities performed by the Committee during 2013 as part of its duties, were as follows:

- expression of the opinion in favour, by letter dated April 5th, 2013, of the proposal received from Holdisa S.r.l. containing the list of candidates for appointment to the Company's Board of Statutory Auditors, which will remain in office for 3 (three) years and in any event until the date of the Shareholders' Meeting called to approve the financial statements as at December 31st, 2015;
- recommendation to the Company's Board of Directors on the launch of an initial assessment of the need to prepare a succession plan for executive directors, according to timing and methods considered most appropriate, that envisages special mechanisms to be adopted for early replacement, i.e. prior to the natural expiry of the office, identifying the corporate bodies and parties involved in such activities;
- amendment to the Committee Regulations following the resignation of the non-executive, non-independent Committee member, Carlo Porcari, to be submitted to the Board of Directors for approval.

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In compliance with criterion 4.C.1., paragraph d), all Committee meetings are duly minuted.

In performing its duties, the Nomination Committee is given full access to the information and Company departments necessary, and makes use of external consultants if considered necessary in accordance with terms established by the Board.

At its meeting of May 14th, 2013, the Board of Directors allocated a 2013 expense budget to the Committee totalling € 5,000 (five thousand), considered all-inclusive in covering duties relating

both to appointment proposals and the remuneration of directors.

## 8. REMUNERATION COMMITTEE

**Composition and duties of the Remuneration Committee (pursuant to article 123-*bis*, paragraph 2d), TUF)**

Established by Board of Directors resolution of May 10th, 2012, the membership of this committee was updated, by resolution of the Board dated July 24th, 2013[5], to include also the duties of the Nomination Committee. It is composed of two independent directors, Adriana Sartor (Chairman) and Antonio Zoncada. The Committee membership therefore complies with criterion 4.C.1., according to which the Committee can have at least 2 (two) members if the Board of Directors has at least 8 (eight) members, provided both are independent. At the time of appointment the Board assessed as suitable the skills and experience of the committee members in financial and remuneration policy matters.

Note that in 2013 the Remuneration Committee held 3 (three) meetings, and in 2014 plans 4 (four) meetings, of which 1 (one) already held on February 27th, 2014. The average duration of meetings is approximately one hour, attended by all members.

As envisaged in the Regulations, note that no director may attend Committee meetings at which proposals are formulated for the Board of Directors in relation to his own remuneration.

Committee meetings were also attended by other parties as invited by the Committee for the discussion of specific individual items on the agenda.

**Duties of the Remuneration Committee**

In compliance with criterion 6.C.5. of the Code and as envisaged in the Committee's regulations, the Remuneration Committee was assigned the following functions:

- periodically assesses the adequacy, overall coherence and actual application of remuneration policy for directors and executives with strategic responsibilities, in this last instance making use of information provided by the Chief Executive Officers; formulates proposals for the Board of Directors on such matters;
- submits proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors occupying special positions, and on the setting of performance objectives associated with the variable component of that remuneration;
- monitors the application of decisions adopted by the Board of Directors, in particular verifying the actual achievement of the performance objectives.

The main activities performed by the Committee during 2013 as part of its duties, were as follows:

[5] Reference should be made to the information provided in section 2 of this Report.

- expression at the meeting of February 8th, 2013, of the opinion in favour of the independence of the advisor, an expert on remuneration and corporate governance, used to gather information on market practices regarding remuneration policies;

- after receiving opinion in favour from the Chairman of the Board of Statutory Auditors, approval on March 6th, 2013 of the updated contents of the "General policy on the remuneration of directors and executives with strategic responsibilities" and the "Remuneration Report", with related tables, to be submitted to the Company's Board of Directors for examination and approval at the meeting of March 14th, 2013;

- amendment to the Committee Regulations following the resignation of the non-executive, non-independent Committee member, Carlo Porcari, to be submitted to the Board of Directors for approval.

Note that the Chairman of the Board of Statutory Auditors was also invited to attend the meeting of March 6th, 2013.

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In compliance with criterion 4.C.1., paragraph d), all Committee meetings are duly minuted.

In performing its duties, the Remuneration Committee is given full access to the information and Company departments necessary, and makes use of external consultants if considered necessary in accordance with terms established by the Board. The Committee made use of support from Alessandro Chieffi, lawyer, in preparing the update - according to required timing and methods - of the General remuneration policy and the Remuneration Report.

At its meeting of May 14th, 2013, the Board of Directors allocated a 2013 expense budget to the Committee totalling € 5,000 (five thousand), considered all-inclusive in covering duties relating both to appointment proposals and the remuneration of directors.

## 9. REMUNERATION OF DIRECTORS

Note that information on the "General policy on the remuneration of directors and executives with strategic responsibilities" are provided in the Remuneration Report published pursuant to article 123-*ter* of the Consolidated Financial Law, to which reference should be made.

### Incentive mechanisms for the Internal Audit Manager and the Manager responsible for preparing the corporate accounting documents

Note that, in line with the provisions of criterion 6.C.3 of the Code, when defining the incentive mechanisms for the Internal Audit Manager and the Manager responsible for preparing the

corporate accounting documents, special attention is paid to balancing the quality objectives with economic and financial objectives with due regard to the roles covered.

## 10. CONTROL AND RISK COMMITTEE

**Composition and duties of the Control and Risk Committee (pursuant to article 123-*bis*, paragraph 2d), TUF)**

Established by Board of Directors resolution of May 10th, 2012, the membership of this committee was updated, by resolution of the Board dated February 8th, 2013[6]. It is composed of 2 (two) independent directors, Adriana Sartor and Antonio Zoncada, the latter as Chairman, whose experience in accounting, financial and risk management matters was deemed suitable by the Board of Directors at the time of appointment.

The membership of the Committee therefore complies with the provisions of criterion 4.C.1., paragraph a) and principle 7.P.4 of the Code, in accordance with which, respectively, as in the case in question, the Committee membership can comprise only 2 (two) directors, provided they are both independent, if the Board of Directors has no more than 8 (eight) members and - if the Issuer is subject to direction and coordination by another company - the Committee members must be independent directors only.

In 2013 the Committee held 5 (five) meetings, and in 2014 plans 6 (six) meetings, of which 2 (two) already held on January 20th and February 27th, 2014. The average duration of meetings is approximately three hours, attended by all members.

In accordance with the Committee's Regulations, all the Committee meetings were attended by the Internal Audit Manager, who reported on control activities carried out in the reporting period.

Also note that, as envisaged in criterion 7.C.3 of the Code, the Chairman of the Board of Statutory Auditors or other Statutory Auditor designated by him attended the Committee meetings. On invitation from the Committee and in relation to specific items on the agenda, other parties from Company departments also attended.

**Duties of the Control and Risk Committee**

At the time of its establishment, all duties envisaged in criterion 7.C.2. of the Code were assigned to the Control and Risk Committee, as follows:

- assess, jointly with the Manager responsible for preparing the corporate accounting documents and after consulting the independent auditing firm and the Board of Statutory Auditors, the correct application of accounting principles and, for groups, their application as standard in preparing the consolidated financial statements;
- express opinions on specific aspects pertaining to identification of the main corporate

[6] Note that with effect from January 1st, 2013, Independent Director Elena Vasco resigned as member of the Control and Risk Committee due to other commitments not allowing her to dedicate the necessary time to this duty.

risks;

- examine the periodic reports on the internal control and risk management system, and those particularly relevant to the Internal Audit Department;
- monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit Department;
- where appropriate, ask the Internal Audit Department to perform audits of specific areas of operation, duly informing the Chairman of the Board of Statutory Auditors;
- at least every six months on approval of the annual and semi-annual financial reports, report to the Board on activities carried out and on the adequacy of the internal control and risk management system.

In addition, the Committee provides opinions to the Board of Directors on:

- definition of the internal control and risk management system guidelines;
- approval, at least once a year, of the audit plan prepared by the Internal Audit Manager;
- the description in the Report on Corporate Governance of the main characteristics of the internal control and risk management system, expressing its opinion on the system's adequacy;
- assessment of the results expressed by the auditing firm in any letter of recommendations and in the report on fundamental issues emerging from the audit;
- appointment and termination of the Internal Audit Manager, the officer's funding with sufficient resources and the definition of the pertaining remuneration consistent with company policies.

During the reporting period, the Committee mainly performed the following activities:

- examined the 2013 audit plan and reports prepared during the year by the Internal Audit Department;
- examined specific issues relating to identification of the main corporate risks, directly involving the company departments concerned;
- given its role of providing support, with appropriate preparatory activities, in assessments and decisions of the Board with regard to the internal control and risk management system, its periodic reports stated that the reference regulations adopted in terms of corporate governance and best practices encourage Top Management to act as promoter, within the company, of the need to implement a structured risk management process and establish the role of risk manager dedicated to its management;
- approved the contents of amendments to the Committee Regulations reflecting the changes in its structure, and submitted these to the Board of Directors for approval;
- as part of the coordination activities with other parties involved in the internal control and risk management system, during meetings held during the reporting period provided

details of activities performed through a mutual exchange of information;

- reported on a quarterly basis to the Board of Directors on activities performed during the reporting period.

In compliance with criterion 7.C.3. of the Code and in accordance with the Committee Regulations, the Chairman of the Board of Statutory Auditors or other Statutory Auditor designated by him was invited and always attended the Committee meetings.

All Committee meetings were duly minuted.

In performing its duties, the Control and Risk Committee is given full access to the information and Company departments necessary, and makes use of external consultants if considered necessary in accordance with terms established by the Board.

At its meeting of May 14th, 2013, the Board of Directors allocated a 2013 expense budget to the Committee totalling € 20,000 (twenty thousand) to cover the performance of its duties.

## 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system is a set of rules, procedures and organisational structures that through a suitable process of identification, measurement, management and monitoring of the main risks, offers sound and correct operation of business activities in a manner consistent with pre-defined objectives.
The responsibilities of the internal control and risk management system are identified by the Board of Directors, which defines the guidelines on internal control and risk management and periodically verifies related operations, making use of support from the Control and Risk Committee and Internal Audit Department.
An effective internal control system, in fact, helps to ensure that corporate assets, the efficiency and effectiveness of corporate transactions, the reliability of financial data and compliance with laws and regulations are safeguarded.
Given the characteristics of the company and on the basis of assessments performed, the Board of Directors considers the Company's internal control and risk management system is organised so as to ensure correct information and adequate control coverage of all activities and, in particular, the areas at greatest risk.

## 11.1. MAIN CHARACTERISTICS OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM REGARDING THE FINANCIAL REPORTING PROCESS pursuant to article 123-*bis*, paragraph 2b), TUF

The internal control system regarding the financial reporting process aims to identify and assess actions or events, the occurrence or absence of which could compromise achievement of the reliability, accuracy, trustworthiness and promptness objectives of financial reporting.

This system is an integral part of the larger risk management system used by Isagro and is known as the "Internal Control and Risk Management System".

The guidelines this system is based on are those promoted by the Committee of Sponsoring Organizations of the Treadway Commission with reference to the COSO Report (Internal Control - Integrated Framework).

The internal control model on financial reporting adopted by Isagro was presented to the Control and Risk Committee and the Issuer's Board of Directors and aspects concerning the principles of control and accuracy of the process are applied to the Group companies.

The Manager responsible for preparing the corporate accounting documents, pursuant to Law 262/2005, was entrusted with implementing the administrative-accounting procedures that govern the process of drawing up periodical corporate financial disclosures, monitoring the application of the administrative-accounting procedures and, together with the CEO, releasing to the market its certificate concerning the financial documentation, respecting the assertions above (reliability, accuracy, trustworthiness and promptness).

The design, establishment and maintenance of the system on financial information are ensured through the following methodological approach:

- risk assessment and gap analysis;
- identification of controls;
- assessment of the controls and management of the monitoring process.

This process is managed by the aforementioned responsible Manager who, with the support of the Internal Audit department, defines the interventions in terms of process, information systems or procedures to correct any deficiencies in the control system.

**Risk Assessment**

The risk assessment activity aims to identify the corporate processes that, due to the impact on financial disclosure with generation of accounting transactions, are important for the purpose of the assessment.
This activity is implemented on the basis of a quali-quantitative assessment approach, applying top-down logic, as described below (with particular reference to financial statements and periodic reports):

- analysis of the financial statements for each year (Isagro S.p.A.'s individual and consolidated position);
- identification of the material items of the financial statements (the "significant items");
- identification of the corporate processes used as input (the "target processes").

The material items of the financial statements are identified through a combined analysis of various assessment parameters. These parameters are defined in order to consider the following aspects: materiality of the item in relation to the significance of its value, randomness/variability of the item, criticality/complexity of determining the item, the specific features of the Company and the reference business/sector/environment.
Based on the important processes and activities, the risks are identified, i.e. the events that, due to their probability of occurrence and impact on the items of the financial statements, may compromise the attainment of the control objectives concerning financial disclosure.

**Identification of controls**

The identified risks are assessed by the departments involved in the process, which identify the controls required to mitigate the probability of occurrence and the assertion impact on the financial reports.
In particular, the structure of the financial reporting control system includes two macro types of controls:

- entity controls: these controls apply to the entire company organisation and concern: the assignment of powers and delegations in line with the responsibilities assumed within the organisation, the segregation of duties and responsibilities, the communication and staff training system concerning accounting standards and the internal control system on financial reporting, the procedural system aimed at regulating the closing of the financial statements and consolidated financial statements as well as disclosure of the financial reports and the security of the corporate IT system;
- process controls: these are specific controls for each process, i.e. the set of manual and system activities aiming to prevent, identify and correct errors that occur during the production of financial information; these controls are indicated at single procedure level, so that each user is informed that failed execution may determine an error or fraud on the drafting process of the financial statements and the financial information.

**Monitoring and control assessment**

The above mentioned controls, both at entity and process level, are subject to constant assessment in order to guarantee the correct operation of the financial reporting control and identify any deficiencies found in it.
On this point, the responsible Manager has entrusted the single process owners, i.e. the managers of a key process for the purpose of financial information, with a monitoring task, to be carried out each quarter and in any case when required, by executing tests on important activities (ongoing monitoring activity). At the same time, the responsible Manager has entrusted a third party with respect to the process owners (the Internal Audit department of the Company) with

the task of carrying out independent monitoring (separate evaluation) based on an activity plan shared with the responsible Manager.
In case of identification of gaps in the issued procedures or of deficiencies at control level, the responsible Manager initiates the risk assessment process again in order to correct the emerging problems.
The outcome of the monitoring activities is reported to the responsible Manager, promptly indicating the operational status of the control system.
Furthermore, in its quarterly reports to the Board of Directors, the Control and Risk Committee provides information concerning the monitoring activities conducted in the reference quarter by the Manager responsible for preparing the corporate accounting documents.

## 11.2. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On May 10th, 2012, the Board of Directors of the Issuer, in compliance with criterion 7.P.3., paragraph a)(i) of the Code, appointed the Chairman and CEO, Giorgio Basile, as "Executive Director Responsible for the Internal Control and Risk Management System", with the following duties in accordance with criterion 7.C.4. of the Code:

- identification of the main corporate risks in consideration of the type of activities performed by the Issuer and its subsidiaries, submitting the results for periodic review by the Board;
- implementation of the guidelines defined by the Board of Directors, ensuring the planning, setup and management of the internal control and risk management system, constantly verifying its adequacy and effectiveness;
- adaptation of the system to changes in operating conditions and in the legal and regulatory framework;
- power to ask the Internal Audit Department to perform audits of specific areas of operation and compliance with internal rules and procedures in the implementation of corporate transactions, duly informing the Chairman of the Board of Directors, Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- prompt reporting to the Control and Risk Committee (or to the Board of Directors) on problems and critical points emerging from the performance of his duties or of which he may become aware, in order that the Committee (or Board) can take action as necessary.

The Chairman and CEO is promptly updated through the compliance and control departments regarding legal and regulatory developments, in such a way as to guide the necessary adaptation of the processes and functions affected.

## 11.3. MANAGER OF THE INTERNAL AUDIT DEPARTMENT

On August 5th, 2010, as proposed by the Executive Director responsible for the internal control system (now the Executive Director responsible for the internal control and risk management

system) and in compliance with the new provisions of criterion 7.P.1. of the Code, the Company's Board of Directors appointed Laura Trovato as Internal Audit Manager (formerly Manager of the Internal Auditing department), defined the remuneration consistent with corporate policies and provided the officer with resources sufficient to carry out her duties, subject to opinion in favour from the Internal Control Committee (now the Control and Risk Committee).

The Internal Audit Manager is not responsible for any operating areas and reports to the Board of Directors.

In accordance with criterion 7.C.5. of the Code, the Internal Audit Manager has the following responsibilities:

- in an ongoing manner and in relation to specific needs and compliance with international standards, verifies the operations and suitability of the internal control and risk management system by applying an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritising of the main risks;
- prepares reports containing suitable information on activities performed, the risk management methods adopted and on compliance with the plans defined for risk containment. The periodic reports contain an adequacy assessment of the Internal Control and Risk Management System;
- prepares prompt reports on particularly significant events;
- provides support to all corporate departments in performing their activities;
- as part of the audit activities envisaged in the audit plan, verifies the reliability of the IT systems used in the accounting recognition systems.

She has direct access to all information necessary to carry out her duties and also has funds at her disposal as envisaged in an annual budget (totalling approximately € 20,000).

In consultation with the Internal Control and Risk Management Committee, the Internal Audit Manager submitted the "Annual Internal Auditing Plan for 2013" to the Board of Directors on March 14th, 2013.

The findings of audits conducted by the Internal Audit department on the regularity of management, on trends in risks and the overall functionality of the internal control system are reported by the Manager to all the Company bodies (Chairman of the Board of Directors - also in his role as Executive Director responsible for the Control and Risk Management System, the Control and Risk Committee and the Board of Statutory Auditors).

In 2013 the Internal Audit Manager attended all meetings held by the Control and Risk Committee, providing support in the identification of the main corporate risks, and by the Board of Statutory Auditors. The Internal Audit Manager also performed activities requested by the Manager responsible for preparing the corporate accounting documents.

Note that the Internal Audit Department of the Issuer is internal to the Company.

## 11.4. ORGANISATIONAL MODEL Legislative Decree No. 231/2001

In 2006 the Board of Directors of Isagro S.p.A. adopted an Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (hereinafter also referred to as the "Organisational Model") and appointed a Supervisory Body.

On November 12th, 2013, the Board of Directors of Isagro S.p.A. updated the Organisational, Management and Control Model to assimilate new regulatory and legal provisions as follows:

- Italian Legislative Decree no. 109 of July 25th, 2012, which extended the catalogue of offences pursuant to Legislative Decree 231/2001 to include article 25-*duodecies*, "employment of citizens of third countries whose stay is illegal";
- Italian Law no. 190 of November 6th, 2012, which amended article 25, paragraph 3, to include the crime of "undue incitement to provide or promise utilities" as part of offences against Public Administration, and article 25-*ter*, paragraph 1, which added sub-paragraph s-*bis* on "bribery between individuals" as part of corporate offences.

The Organisational Model, structured also in accordance with Confindustria Guidelines, is composed of a general section and a special section. The general section briefly covers the contents of Legislative Decree 231/2001, defines the Supervisory Board and its assigned powers and functions and also outlines the related information flow and Disciplinary System adopted by the Company. The special section specifically describes the Sensitive Processes and the measures and defences set up by the Company in order to prevent the risk of offences contemplated in Legislative Decree No. 231/2001 from being committed. The Annexes referred to in the text of the document form an integral part of the Organisational Model, particularly the Group Code of Ethics.

The types of offence contemplated in the Issuer's Organisational Model as at the date of this Report are as follows: *"Offences against Public Administration", "Corporate and Market Abuse offences", "Receiving stolen goods, money-laundering, use of illegally gained money, assets and utilities", "Occupational Health and Safety offences", "Computer crime", "Organised crime", "Counterfeit of trademarks, patents and logos", "Industrial and commercial offences", "Copyright offences", "Environmental offences", "Employment of citizens of third countries whose stay is illegal"*.

The task of monitoring the operations and compliance with the Model, and arranging related updates, is assigned to the Supervisory Board, which was set up by resolution of the Board of Directors on May 10th, 2012. The composition of this Board, the three-year term of office of which expires on approval of the Isagro S.p.A. financial statements at December 31st, 2014, features a collegial structure in order to satisfy the independence, autonomy, professionalism and continuity requirements of Legislative Decree 231/2001. Its members include an external professional covering the role of Chairman, Renato Colavolpe, the independent director Antonio Zoncada and the Internal Audit Manager Laura Trovato.

The Supervisory Board reports directly to the Board of Directors through semi-annual reports, about the implementation of the Model and any criticalities found.

Note that the Board of Directors considered the opportunity of assigning Supervisory Board

duties to the Board of Board of Statutory Auditors, as envisaged in article 14, paragraph 12, Italian Law no. 183 of November 12th, 2011, and in its choice of corporate governance model chose a structure including both a Supervisory Board and a Board of Statutory Auditors.

The Group Organisational Model (summary version) and the Code of Ethics are available on the Company website www.isagro.com in the corporate governance section.

## 11.5. INDEPENDENT AUDITING FIRM

On April 26th, 2012 and after considering the justified proposal made by the Board of Statutory Auditors, the Shareholders' Meeting assigned Deloitte & Touche S.p.A. with registered office in Milan, for the period 2012-2020, to perform the audit of the separate and consolidated financial statements of the Company and the limited review of the semi-annual report.

## 11.6. MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE ACCOUNTING DOCUMENTS AND OTHER CORPORATE FUNCTIONS

Article 21-*bis* of the Articles of Association assigns power to the Board of Directors to appoint and terminate the office of a Manager responsible for preparing the corporate accounting documents, subject to binding opinion of the Board of Statutory Auditors, and grants appropriate powers and funds to the officer in question to perform the assigned duties in accordance with laws and regulations.

The Manager responsible for preparing the corporate accounting documents must meet the integrity requirements established by law for members of the Board of Directors, and must have an overall experience of at least three years in the exercise of administrative and/or accounting and/or financial and/or control activities with the Company and/or its subsidiaries and/or other public limited companies.

On May 10th, 2012 Isagro S.p.A.'s Board of Directors, having verified in advance the aforementioned requisites and after receiving opinion in favour from the Board of Statutory Auditors, appointed Ruggero Gambini - Chief Financial Officer (CFO) of Isagro S.p.A. – as Manager responsible for preparing the corporate accounting documents.

The Manager responsible for preparing the corporate accounting documents was assigned the duties and powers to carry out the functions, and the Board of Directors ensures that he has sufficient powers and means to do so. On May 14th, 2013, the Board of Directors appointed the Manager responsible for preparing the corporate accounting documents and, in compliance with law and the Articles of Association, allocated annual budget totalling € 10,000 (twenty thousand).

With regard to managers in other roles and corporate functions associated with internal control and risk management, reference should be made to paragraph 11.7 below.

## 11.7. COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The following parties are involved in the internal control and risk management system:

- the Board of Directors, which performs a guidance and assessment role as regards the adequacy of the system;
- the Executive Director responsible for the internal control and risk management system, who arranges its planning, implementation and management and is the Company's Chairman and CEO;
- the Control and Risk Committee, with the duty of providing support in the Board of Directors' assessments and decisions relating to the internal control and risk management system;
- the company departments to which second level controls are assigned, with a view to ensuring the monitoring and management of corporate risks;
- the Internal Audit Manager, as third level control, assigned the task of verifying that the internal control and risk management system is adequate and operates correctly;
- the Board of Statutory Auditors, which supervises the effectiveness of the internal control and risk management system;
- the Manager responsible for preparing the corporate accounting documents, who in relation to accounting reports (including interim reports), confirms correspondence between the documented results and the accounting books and records;
- the Supervisory Board, with all due powers to ensure prompt, efficient supervision of the operations and compliance of the Organisational Model adopted by the Company, in accordance with the provisions of article 6, Italian Legislative Decree 231/2001.

Coordination among the aforementioned parties guarantees the effectiveness and efficiency of the internal control and risk management system in terms of reducing duplicated activities.
This method of coordination develops through constant exchange of information flows between the parties during joint meetings.

## 12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the provisions of article 2391-*bis* of the Italian Civil Code and Consob Regulations no. 17221 of March 12th, 2010, as amended by Resolution no. 17389/2010, on November 12th, 2013 the Board of Directors approved the updated version of the "Procedures to for managing operations with related parties", which entered into force on January 1st, 2014. This Procedure, available on the Company website www.isagro.com, in the corporate governance section, was approved subject to the previous in favour opinion of the independent directors of the Issuer and, in short, provides for transactions with related parties to be resolved subject to the non-binding approval of a Committee consisting exclusively of unrelated independent directors. The Procedure contains the rules for identifying, approving and

implementing transactions with related parties as executed by the Company, either directly or through subsidiaries, with a view to ensuring material and procedural transparency and fairness of the transactions.

Pursuant to article 10, paragraph 1 of the Procedure, the Chairman of the Board of Directors has issued operating guidelines with the aim of guaranteeing an easy understanding and application by the target recipients of the rules contained in the Procedure, and of identifying the company departments responsible for its management.

For resolutions concerning the remuneration of executive directors, directors occupying special positions and executives with strategic responsibilities, the Remuneration Committee plays a consultative and propositional role.

## 13. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of 3 (three) statutory auditors and 2 (two) substitute auditors, appointed by the Shareholders' Meeting from lists submitted by shareholders. Candidates on lists must be ranked in progressive order for election.

In each list containing 3 (three) or more candidates, the first 2 (two) candidates for statutory auditor must be of different genders, and likewise the 2 (two) candidates for substitute auditor.

The submission, publication and filing of lists and related documentation (including therein statutory declarations and attestations) are subject to the procedures set forth in article 15 of the Articles of Association, to the extent they are compatible with article 144-*sexies* of Consob's Regulations on Issuers, approved by Resolution no. 11971 of May 14th, 1999, as subsequently amended.

Members of the Board of Statutory Auditors are selected from among those who possess the requisites of professionalism and integrity as enunciated in the Ministry of Justice's Decree No. 162 dated March 30th, 2000.

In order to confirm that the requirement is met in terms of the experience of each candidate, subject matters and sectors of activity strictly associated with those of the Company refer to those relating to the aforementioned conduct-related obligations, i.e. to guarantee specialised service.

2 (two) statutory auditors and 1 (one) substitute auditor shall be taken from the list that has obtained the greatest number of votes expressed by shareholders, in accordance with the progressive order in which they are indicated on the list itself. The third statutory auditor and the second substitute auditor shall be taken from other lists in accordance with the procedure provided by article 15 b) of the Articles of Association.

The chairmanship of the Board of Statutory Auditors goes to the first candidate of the second list (the third statutory auditor) who has obtained the greatest number of votes.

Where only one list is submitted, the Shareholders' Meeting shall vote on it; in the event that the list obtains the relative majority, the first 3 (three) candidates indicated in progressive order shall be elected as statutory auditors and the fourth and fifth candidates as substitute auditors; the chairmanship of the Board of Statutory Auditors goes to the first candidate of the submitted list. If no list is submitted, the Board of Statutory Auditors and its Chairman shall be elected by the Shareholders' Meeting as per article 14 of the Articles of Association, in compliance with *pro tempore* current regulations on gender balance.
Where a statutory auditor is to be replaced, the substitute auditor belonging to the same list shall be appointed, in compliance with the *pro tempore* current regulations on gender balance.
Where the Chairman of the Board of Statutory Auditors is to be replaced, the other statutory auditor belonging to the same list as the Chairman shall be appointed. Where replacements cannot be made in this way or where legal procedures apply, a Shareholders' Meeting shall be held to appoint new members to the Board of Statutory Auditors, on the basis of the majority voting requirements set forth in article 14 of the Articles of Association, in compliance with the *pro tempore* current regulations on gender balance.

## 14. COMPOSITION AND DUTIES OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-*bis*, paragraph 2d), TUF)

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 24th, 2013 by means of list voting and also in application of article 148, paragraph 1-*bis* of the Consolidated Financial Law with a view to guaranteeing gender balance. The appointed Board will remain in office until approval of the Financial Statements as at December 31st, 2015.
With 55.70% of the votes, representing 100% of the voting share capital, the candidates on the single list filed by the majority shareholder Holdisa S.r.l. were elected as follows:

*Statutory Auditors*
- Piero Gennari - Chairman
- Claudia Costanza
- Giuseppe Bagnasco

*Substitute Auditors*
- Eleonora Ferraris
- Francesco Mangiameli

The personal and professional characteristics of each statutory and substitute auditor are provided below:

**Piero Gennari**, Chairman of the Board of Statutory Auditors of the Issuer. A partner of Studio Caramanti Ticozzi & Partners. He is a member of the Milan Society of Chartered Accountants

and entered in the Register of Auditors. In the 1970s he gained significant experience as a tax advisor at national and international level with a leading tax law office and a prestigious auditing firm. For many years he was also Chairman of the Board of Statutory Auditors of Alfa Laval - Tetrapak Group. He is currently Chairman of the Board of Statutory Auditors of Avdel Italia S.r.l. and Saccarta S.p.A.

**Claudia Costanza**, Statutory Auditor of the Issuer. A partner of "Studio associato CLM Associati", tax and corporate advisory. She is a member of the Milan Society of Chartered Accountants and registered in the Register of Auditors. From 1992 to 2003 she was an independent chartered accountant, coordinating with a group of 8 (eight) others. She has gained significant experience as a liquidator as well as having acted as special administrator appointed by the Court of Milan. She has considerable experience in managing the tax and corporate affairs of companies, including members of business groups, for which she has collaborated in restructuring and extraordinary transactions. She is currently Chairman of the Board of Statutory Auditors of Manuli Strech S.p.A., GF Uno S.p.A., Avnet Italia S.r.l., Irene S.p.A., Biotedim S.p.A. and Risanamento S.p.A..

**Giuseppe Bagnasco**, Statutory Auditor of the Issuer. Registered in the Register of Auditors since 2000. He began his career with the Montedison Group in the Management Control field. From 1977 to 1985 he was Executive Director of Administration and Control for the paper manufacturing group Fa.Bo.Cart/Carto Service. He rejoined the Montedison Group in 1985 and remained with the Planning and Control Division until 1995. From 1995 to 2002 he was Administration and Finance Manager of Edison, then from 2002 to 2003 the Finance Director of EdisonTel. In 2004 he was advisor to the Parmalat Group. From 2004 to 2007 he was Chairman and Chief Executive Officer of CQOP S.p.A., the leading certification company in the building industry. In 2007 he was CFO of the Fantuzzi Reggiane Group. Since 2008 he has been a Statutory Auditor for a number of Isagro Group companies. Since 2012 he has also been a member of the Supervisory Board of Infrastrutture Trasporto Gas S.p.A., a member of the Edison Group, and since mid-2013 has collaborated with the Triboo Group (e-commerce and web advertising) as Chief Financial Officer.

**Eleonora Ferraris**, Substitute Auditor of the Issuer. Owner of Studio Professionale in Robbio, administrative, tax and corporate advisory. She is a member of the Vercelli Society of Chartered Accountants and registered in the Register of Auditors. She has gained professional experience with various chartered accountant partnerships in Vercelli. She is currently the Auditor for the Municipality of Pezzana (VC), the Municipality of Germagno (VB) and Statutory Auditor of Rizzio S.p.A. in Valduggia (VC).

**Francesco Mangiameli**, Substitute Auditor of the Issuer. A partner of Studio Caramanti Ticozzi & Partners. He is a member of the Society of Chartered Accountants and registered in the Register of Auditors, and has completed proficiency courses in Tax Law. For a number of years he has been a tax advisor at national and international level, after his initial career experience with a leading auditing firm. He is a Statutory Auditor of several companies, including Uop S.r.l. (Honeywell Group), Accademia S.g.r., Delaval S.p.A. and Selte S.p.A.

The composition of the Board of Statutory Auditors is indicated in the following table.

| ***STRUCTURE OF THE BOARD OF STATUTORY AUDITORS*** | | | | | | |
|---|---|---|---|---|---|---|
| Name | Assignment | In office since | List (M/m) | Indep. under Code | % meetings | Number of other assignments |
| Piero GENNARI | Chairman | 04.24.2013 | M | X | 100 | 2 Chairman<br>6 Statutory Auditors<br>3 Substitute Auditors |
| Claudia COSTANZA | Statutory Auditor | 04.24.2013 | M | X | 100 | 7 Chairman<br>16 Statutory Auditors<br>1 Sole Director<br>2 Directors |
| Giuseppe BAGNASCO | Statutory Auditor | 04.24.2013 | M | X | 100 | 1 Statutory Auditor<br>1 Member of the Supervisory Board |
| Eleonora FERRARIS | Substitute Auditor | 04.24.2013 | M | X | - | 1 Statutory Auditor |
| Francesco MANGIAMELI | Substitute Auditor | 04.24.2013 | M | X | - | 5 Statutory Auditors<br>10 Substitute Auditor<br>1 Attorney |
| ***STATUTORY AUDITORS TERMINATING OFFICE DURING THE REPORTING PERIOD*** | | | | | | |
| Luigi SERAFINI | Statutory Auditor | 04.30.2009 | M | X | 100 | 3 Statutory Auditors<br>2 Substitute Auditors<br>6 Directors |
| Alberto QUAGLIA | Substitute Auditor | 04.27.2007 | M | X | - | 6 Statutory Auditors<br>12 Substitute Auditors |
| | | | | | | |
| ***Quorum* required for filing of lists at the last appointment: 2.5%** | | | | | | |
| **no. of meetings held in the reporting period: 10.** | | | | | | |

KEY:
**Assignment**: Chairman, Statutory Auditor, Substitute Auditor;
**List**: "M" and "m" indicate whether the auditor was elected from a list voted, respectively, by a majority or minority (pursuant to article 144-*novies* of the Consob Regulations on Issuers);
**Indep.**: independent auditor as per the criteria set forth in the Code;
**% meetings**: the attendance level of the Auditor at meetings of the Board of Statutory Auditors, expressed in percentage terms (calculated taking the number of meetings attended by the Auditor as a percentage of the total number of board meetings held during the year).
**Other assignments**: Other assignments include appointments held with other companies, as identified in Book V, Title V, Sections V, VI and VII of the Italian Civil Code, in accordance with article 144-*quinquiesdecies* of the Consob Regulations on Issuers, as well as in the Statutory Auditors' Report prepared in accordance with article 153 (1) of the TUF.

The Board of Statutory Auditors held 10 (ten) meetings during the year. The average duration of the meetings was about 4 (four) hours, with attendance by each auditor as illustrated in the above table. During 2014, 6 (six) meetings are planned, 2 (two) of which have already been held, on January 16th and February 28th, 2014.

There have been no changes in membership of the Board of Statutory Auditors since the end of 2013.

The Board verifies the independence requirements of its members on an annual basis. In conducting these assessments it applies the criteria envisaged in the Corporate Governance Code in reference to the independence of directors, as adopted by the Board of Directors. On February 26th, 2013, the Board of Statutory Auditors in office until approval of the financial statements as at December 31st, 2012, arranged the assessment of its independence requirements for 2012 and up to the date of that meeting.
On May 16th, 2013, the Board of Statutory Auditors appointed by the Shareholders' Meeting of April 24th, 2013 declared that it still met the requirements for office, confirming the statement made at the Shareholders' Meeting, i.e. that it meets the independence, professionalism and integrity requirements envisaged in the Italian Civil Code and Corporate Governance Code.

Pursuant to criterion 2.C.2. of the Code, note that the organisation and contents of Board of Directors' meetings, as well as the attendance of Committee meetings, guarantee constant updating of the statutory auditors as regards Company performance and the reference market. The statutory auditors are also updated regularly on the main regulatory changes.

With regard to the ruling that a statutory auditor who, on his own account or on behalf of third parties, has any interest in a given transaction of the Issuer, must promptly give a full explanation to the other statutory auditors and to the Chairman of the Board of Directors of the nature, terms, source and extent of such interest, note that there has been constant compliance with this rule.
In carrying out its duties, the Board of Statutory Auditors works in coordination with the Internal Audit department and the Control and Risk Committee, exchanging information important to the completion of their respective duties. In 2013, the Chairman of the Board of Statutory Auditors or his appointed delegate participated at meetings of the Control and Risk Committee to discuss issues and audits conducted.

## 15. INVESTOR RELATIONS

Isagro S.p.A.'s Board of Directors, in accordance with principles 9.P.1. and 9.P.2. of the Code, promotes initiatives to encourage the greatest possible attendance of shareholders at Shareholders' Meetings, facilitate the exercise of shareholder rights and takes action to establish continuous dialogue with shareholders based on an understanding of their respective roles.

To promote relations with shareholders and key investors, the Issuer's website

(www.isagro.com) features an investor relations section in which all documentation important to shareholders and concerning the Issuer is published.

The Company's interest in establishing and maintaining constant dialogue with its shareholders, institutional investors and financial analysts was confirmed with the setup in 2003 of a dedicated company department: Investor Relations.

On July 19th, 2011, the Company's Board of Directors appointed Ruggero Gambini as Investor Relator, i.e. the "Manager responsible for relations with institutional and other shareholders" pursuant to criterion 9.C.1. of the Corporate Governance Code. The department has also been enhanced through the addition of a further member of staff dedicated to Investor Relations activities, Davide Grossi.

In compliance with the procedure on the communication of Company-related documents and information, the Investor Relator is responsible for dialogue with institutional investors, other shareholders and with financial community operators at national and international level. Together with the Corporate Communications and General Services department, the Investor Relator is responsible for financial disclosures.

The Issuer publishes information online regarding corporate governance, financial statements and highlights, presentations of corporate events, press releases and share performance on its website in English and Italian, so as provide its shareholders with fast, easy access to such important information.

In addition, the Company sends its shareholders the quarterly publication "Isagro Focus", a strategic communications tool reflecting corporate solidity and transparency, and designed to keep investors informed of all initiatives undertaken by the Company.

## 16. SHAREHOLDERS' MEETINGS (pursuant to article 123-*bis*, paragraph 2c), TUF)

Pursuant to article 9 of the Articles of Association, the Shareholders' Meeting represents all shareholders. Its resolutions, made in compliance with laws in force and the Articles of Association, are binding upon all shareholders.

Shareholders' Meetings may be held on an ordinary or extraordinary basis, as required by law. Meetings may be held outside the registered offices of the Company, providing it is in Italy or in a European Union member state.

The Board of Directors is required to call a Shareholders' Meeting at least once a year, no later than one hundred and twenty days from the close of the financial year, or no later than 180 (one hundred and eighty) days if the Company is required to prepare consolidated financial statements and where special circumstances relating to the structure or business purpose of the Company so required.

Pursuant to article 11 of the Articles of Association, the Shareholders' Meetings are called via notice published in accordance with the terms and conditions established under applicable laws

and regulations. Notices of meetings are required to specify the date, time and place of the meeting, the agenda and any additional information required under regulations, including statutory provisions, in force. Notices are also required to indicate the date, time and place of a second meeting, in the event that the first meeting is abandoned, and where necessary the details of a third meeting, should the first and second be abandoned.

In accordance with article 12 of the Articles of Association, the participation and representation of shareholders at Shareholders' Meetings are governed by laws and regulations in force. Parties with the right to vote can notify the proxies delegated to intervene and vote at the meetings via certified e-mail to the address stated in the notice of meeting and by the methods established therein. For each Shareholders' Meeting, the Articles of Association envisage the option of designating - and indicating in the notice of meeting - a person or entity to which shareholders may delegate proxy with voting instructions on all or any proposals on the agenda, in accordance with terms and conditions established in current regulations.

The Chairman of the Shareholders' Meeting is responsible for checking that shareholders are eligible to participate and that proxies are valid.

In compliance with the provisions of article 13 of the Articles of Association, the Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence or impediment, by the Vice Chairman, where appointed, or in the absence of both, by another person delegated by the Board of Directors; in the absence of all three, the Shareholders' Meeting elects its own Chairman. The Shareholders' Meeting is required to appoint a secretary, who may be a non-shareholder.

Voting procedures both at ordinary and extraordinary Shareholders' Meeting are conducted as established by the Chairman of the Shareholders' Meeting and in compliance with laws in force.

Resolutions carried by the Shareholders' Meeting are recorded in minutes signed by the Chairman and secretary.

Where required by law and where deemed appropriate by the Chairman of the Shareholders' Meeting, the minutes are recorded by a Notary Public.

Ordinary Shareholders' Meetings may approve, or if necessary amend, regulations governing meeting procedures in accordance with laws in force governing companies listed on regulated markets.

The Extraordinary Shareholders' Meeting is exclusively responsibile for decisions on the issue of convertible and non-convertible bond loans as per article 2 of the Articles of Association.

Note that when filing the list of candidates for appointment as Director, the majority shareholder disclosed its proposal to the public in relation to the number and duration of office of directors.

For the purpose of facilitating procedures at Shareholders' Meetings, the Company has published "Isagro S.p.A. Shareholders' Meeting Regulations," available on the website (www.isagro.com, corporate governance/shareholders'meeting section).

The methods used to guarantee the rights of every shareholder to speak on items on the agenda are provided in article 6 of the aforementioned Regulations.

The Shareholders' Meeting is the corporate event that allows direct discussion between Directors

and Shareholders. 5 (five) directors (board members) of the Issuer spoke at the Shareholders' Meeting of April 24th, 2013. In response to questions from Shareholders, information was provided at the meeting on business performance and on items on the agenda. Documents and information were also provided as envisaged in applicable legal regulations, already disclosed to the public, by the deadlines envisaged in regulations in force, made available at the Company's registered office, at Borsa Italiana S.p.A. and on the Company website.

Note that the Remuneration Committee reports to Shareholders on the methods used to carry out its duties. For this purpose the annual Shareholders' Meeting is attended by the Chairman or other member of the Committee.

During the year there were no significant changes in the market capitalisation of the Issuer's shares or in its ownership structure sufficient to consider it appropriate to propose that the Shareholders' Meeting resolve on amendments to the Articles of Association regarding the percentages established for the exercise of shares and prerogatives in place to protect minority interests.

## 17. OTHER CORPORATE GOVERNANCE POLICIES (pursuant to article 123-*bis*, paragraph 2a), TUF)

It should be emphasised that the Issuer applies no other corporate governance practices over and above those necessary to meet legal and regulatory obligations, as already illustrated in the previous paragraphs of this Report.

In particular, reference should be made to paragraph 11.4 above with regard to the Organisational Model adopted by the Issuer pursuant to Italian Legislative Decree 231/2001.

## 18. CHANGES OCCURRING AFTER YEAR END

No changes have been made to the corporate governance structure since the close of the financial year.

Milano, March 4th, 2014

On behalf of the Board of Directors of Isagro S.p.A.

The Chairman

Giorgio Basile