



# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

pursuant to article 123-bis of Legislative Decree 58 of 24 February 1998

Issuer: Davide Campari-Milano S.p.A.  
Website: [www.camparigroup.com](http://www.camparigroup.com)  
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*The official text is the Italian version of the document. Any discrepancies or differences arisen in the translation are not binding and have no legal effect. In case of any dispute on the content of the document, the Italian original shall always prevail.*

## 1. Issuer profile

Davide Campari-Milano S.p.A. (hereinafter the 'Company' and, together with its subsidiaries, hereinafter the 'Group') has adopted as its model for its corporate governance the provisions of the latest version of the Code of Conduct for Listed Companies (hereinafter the 'Code'), which incorporates the amendments approved by the Corporate Governance Committee in December 2011.

This report on corporate governance and ownership structures (hereinafter the 'Report') was prepared with reference to the 'Format for corporate governance and ownership structure reporting', issued by Borsa Italiana in January 2013.

The aim of the Report is to provide the market and shareholders with information pursuant to article 123-*bis* of Legislative Decree 58 of 24 February 1998 (hereinafter the 'TUF'), as well as complete disclosure on the corporate governance model used by the Company and on compliance with the recommendations of the principles and applicable criteria of the Code during financial year 2013 (hereinafter the 'Financial Year').

The Company has a traditional administration and control model, consisting of a Board of Directors and a Board of Statutory Auditors.

The Board of Directors is the central body in the Company's corporate governance system.

In accordance with article 14 of its articles of association (hereinafter the 'Articles of Association') the Company is run by a Board of Directors consisting of between three and fifteen members, appointed by the ordinary shareholders' meeting, which also determines the number of members.

The Board of Directors is the body vested with the widest-ranging powers in defining Group strategy in order to ensure the proper and efficient management of the Company that can achieve its corporate purpose and create shareholder value in the medium to long term.

The Board of Directors is therefore responsible for setting out the strategic and management guidelines for the Company and the Group and for monitoring general performance, as well as defining the corporate governance rules and reviewing internal audit procedures, with a view to identifying and managing the main business risks.

The Board of Statutory Auditors is responsible for compliance with the law and with the Articles of Association. It ensures that the principles of correct administration are applied, and, specifically, that the internal control and risk management system, and the organisational, administrative and accounting procedures, are adequate and properly functioning.

Article 27 of the Articles of Association stipulates that the Board of Statutory Auditors shall comprise three Standing Auditors and three Alternate Auditors.

The accounts are audited by an independent auditing company.

The shareholders' meeting is responsible for approving (i) at ordinary sessions, the annual financial statements, the appointment and removal of Board members and the appointment of members of the Board of Statutory Auditors, the remuneration of Directors and Auditors, the engagement of external auditors and the conferral of responsibilities to Directors and Auditors, and (ii) at extraordinary sessions, changes to the Articles of Association.

The Group observes the principles of integrity, loyalty, honesty and impartiality in carrying out its business and those of confidentiality, transparency and completeness in managing corporate information.

To this end, the Company adopted a Code of Ethics in February 2004, setting out the above principles and defining the mission and values according to which the Group's employees should operate.

## 2. Information on ownership structure (pursuant to article 123-bis of the TUF) as at 31 December 2013.

### a) Structure of share capital

Amount of subscribed and paid-up share capital: € 58,080,000.00.

Categories of shares comprising share capital:

category	number of shares	% proportion of share capital	Listed (specify markets)/ non-listed	Rights and obligations
Ordinary shares	580,800,000	100%	Listed on the Italian stock market (the FTSE MIB index)	See the following articles of the Articles of Association article 5 (nominal value), article 6 (voting rights), article 8 (option rights), article 9 (new shares), article 11 (attendance at shareholders' meetings), article 12 (appointment of secretary), article 13 (withdrawal rights), art 14 (appointment of the Board of Directors), article 27 (appointment of the Board of Statutory Auditors), article 30 (advance dividend payments), article 31 (dividend payments), article 32 (domicile) and article 33 (liquidation).

### b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities, except for those associated with internal dealing legislation or disclosure requirements, as set out in the procedure of the same name approved by the Company.

### c) Major investments in the share capital

The major investments in the share capital at 31 December 2013, and at the date this Report was approved, according to the communications pursuant to article 120 of the TUF, were as follows:

Declarer	Direct shareholder	% of ordinary share capital	% of share capital with voting rights
Rosa Anna Magno Garavoglia	Alicros S.p.A.	51.00%	51.00%
Andrew Brown	Cedar Rock Capital	10.84%	10.84%
Morgan Stanley Investment Management Limited	Morgan Stanley Investment Management Limited	2.04%	2.04%
Independent Franchise Partners LLP	Independent Franchise Partners LLP	2.02%	2.02%

### d) Securities conferring special rights

No securities conferring special rights have been issued.

### e) Employee share ownership: mechanism for exercising voting rights

There is no mechanism for employees to own shares.

### f) Restrictions on voting rights

There are no restrictions on voting rights.

### g) Shareholders' agreements

The Company is not aware of any shareholders' agreements pursuant to article 122 of the TUF.

### h) Change of control clauses (pursuant to article 123-bis, paragraph 1h) of the TUF) and provisions in the Articles of Association regarding tender offers (pursuant to article 104, paragraph 1-ter, and 104-bis, paragraph 1 of the TUF)

As part of its commercial activity, the Company and its subsidiaries are party to distribution or joint-venture agreements which, as is usual in international agreements, contain clauses granting each of the parties the power to annul the agreement in the event of a direct and/or indirect change in control of the other party, other than the exceptions expressly provided for.

The loan agreements (private placement agreements) entered into by Group companies and bond issues also contain such clauses.

The Company does not deviate from the passivity rule provisions of article 104, paragraphs 1 and 2 of the TUF, and the Articles of Association do not provide for the application of the neutralisation rules set out in article 104-bis, paragraphs 2 and 3 of the TUF.

#### **i) Powers to increase the share capital and authorisation of share buybacks**

The extraordinary shareholders' meeting of 30 April 2010, amending article 5 of the Articles of Association, conferred on the Board of Directors, for a period of five years, the power to increase the Company's share capital in one or more transactions, against payment and/or free of charge (and with or without the option to cancel the transaction if it is not fully subscribed), up to a total nominal value of € 100,000,000.00, via the issue of new shares; and the power to issue, in one or more transactions, bonds convertible into shares and/or other securities (other than bonds) which allow the subscription of new shares up to a total nominal value of € 100,000,000.00, but in amounts which, on each occasion, do not exceed legally established limits for bond issues; the said article also establishes the procedures for exercising these powers.

The powers granted to the Board of Directors can also be exercised with the limitation and/or exclusion of rights of first call according to the conditions expressly indicated in article 5 above.

The shareholders' meeting of 30 April 2013 authorised the purchase and/or sale of own shares to meet two separate requirements.

First, it is necessary to allow the Board of Directors, whenever it deems appropriate, to purchase and/or sell own shares (i) with a view to possible future acquisitions and/or strategic alliances, including those via share exchanges; (ii) in the event that listed shares fluctuate beyond normal movements linked to stock market trends, and in line with market practices (also supporting liquidity and normal trading); and finally (iii) to meet investment needs if such a transaction becomes financially expedient due to the performance of the shares or the amount of cash available.

Secondly, it is necessary to allow the Board of Directors to replenish, via purchases and/or sales of own shares on the market, in any quantity it deems appropriate, the reserve of own shares for the stock option plan for the Group's management, as well as to manage implementation of the plan with the allocation of new stock options and/or the granting of stock options to beneficiaries who meet the conditions for the early exercise of options.

Authorisation has been given until 30 June 2014 to purchase ordinary shares of the Company on one or more occasions. The shares acquired must not exceed a total of 10% of the share capital, also taking into account the own shares already held by the Company. The Board of Directors is also authorised to sell on, one or more occasions, the total quantity of own shares held.

With the exception of own shares sold for the purposes of the stock option plan, which are sold at prices established under the plan, for any other purchase or sale of own shares the maximum and minimum price is set by the Board (this task may be delegated to one or more Directors) according to the following objective criteria, which establish clear parameters: the unit purchase or sale price shall not be less than 25% lower or more than 25% higher than the average reference price recorded in the three stock market sessions prior to each transaction.

At the close of the Financial Year, the Company held 5,116,824 own shares.

#### **l) Management and coordination activity**

The Company is not subject to management and coordination activity by other companies, pursuant to article 2497 et seq. of the Civil Code, in that all decisions made by the management bodies, including strategic decisions, are taken with complete autonomy and independence.

It is stipulated that:

- as outlined in the remuneration report published in accordance with article 123-ter of the TUF, there are no agreements in place between the Company and the Directors that make provision for compensation in cases of resignation or dismissal without just cause, or if their employment is terminated following a tender offer;

- the information required by article 123-bis, paragraph 1l) of the TUF, concerning the applicable regulations for the appointment and replacement of Directors as well as amendments to the Articles of Association, if different from supplementary applicable legislation and regulations, is explained in the section of this report concerning the Board of Directors.

### 3. Compliance

The Board of Directors decided to adopt the Code on 8 November 2006, and on 12 March 2012 voted to apply the amendments approved in December 2011.

The Code, including its updated version, is available to the public on the Borsa Italiana website ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

The Company and its strategic subsidiaries are not subject to non-Italian legislation that could influence the Company's corporate governance structure.

### 4. Board of Directors

#### 4.1. Appointment and replacement

As provided for in article 15 of the Articles of Association, the Board of Directors is appointed by the shareholders' meeting on the basis of lists submitted by ordinary shareholders, which may contain a maximum of 15 candidates, numbered sequentially. Pursuant to article 147-ter paragraph 1-ter of the TUF, any list that submits at least three candidates must contain a number of candidates from the less-represented gender that at least equals the legal minimum applicable at the time.

Directors are elected as follows:

- the number of Directors, which shall, however, be no lower than three and no higher than 15, shall be determined as the number of candidates included in the list obtaining the majority of the votes cast;
- all the Directors to be elected, except one, shall be selected, in sequential order, from the list which has obtained the majority of the votes cast;
- the remaining Director shall be selected from the list that obtained the second-highest number of votes at the shareholders' meeting and must not be linked in any way, even indirectly, with the shareholders who submitted or voted for the list that obtained the highest number of votes.

If, following the application of the above procedure, the minimum number for the less-represented gender applicable at the time is not reached, then the place of the last candidate of the more-represented gender on the majority list will be taken by the next candidate of the less-represented gender on the same list.

The Directors are thus appointed via a list voting system that also provides for the election of at least one Board member representing the minority gender, in compliance with article 147-ter, paragraph 3 of the TUF Lists obtaining a number of votes totalling less than half the qualifying percentage will not be taken into account, pursuant to article 15 of the Articles of Association, as permitted in article 147-ter of the TUF.

If only one list has been submitted and this obtains a relative majority of the votes at the shareholders' meeting, the candidates will be appointed as Directors in sequential order up to the total number of candidates listed, which in any event shall be no lower than three and no higher than 15.

If no list has been submitted, the shareholders' meeting shall appoint the Board of Directors by legal majority.

If the shareholders' meeting is called to appoint new Directors to replace one or more former Directors, the shareholders' meeting shall appoint them by legal majority. The mandate of any Director thus appointed shall expire at the same time as those of the Directors in office at the time of his/her appointment.

If one or more Directors cease to hold office during the Financial Year, they shall be replaced according to legal requirements.

In the event that, for any reason, the number of Directors appointed by the shareholders' meeting falls to less than half its prior level, the entire Board of Directors shall tender their resignations and a shareholders' meeting shall be urgently convened to appoint a new Board.

Only shareholders meeting the maximum permitted investment in the Company, in accordance with legislation and regulations in force at the time, are entitled to submit lists.

Therefore, in accordance with Consob resolution 18775 of 29 January 2014, issued pursuant to article 144-septies of Consob Regulation 11971 of 14 May 1999 (the 'Issuer Regulation'), the shareholding requirement for the submission of candidate lists for the election of the Directors and Auditors is 1% of the share capital.

The submission, depositing and publication of lists are subject to legislation and/or regulations in force.

Proposals for Director appointments must be presented in the form of lists, together with detailed curriculum vitae for each candidate, as well as certification that the candidates fulfil the requirements of the post.

To guarantee the minimum number of independent Directors required by law, a declaration of compliance with independence requirements, pursuant to the Code and to article 148 of the TUF, must also be

submitted with each list for at least one candidate on the list or, if the list contains more than seven candidates, for at least two candidates on the list.

Compliance with these requirements is mentioned in the notice.

The Articles of Association do not specify independence requirements beyond those set for Auditors in accordance with article 148 of the TUF, even though the adoption of the Code by the Company implies that at least one third of the Directors must also satisfy the independence requirements of the Code.

The lists, accompanied by the relevant *curricula vitae*, are published on the Company's website in accordance with statutory deadlines.

### **Succession plans**

After consultation with the Remuneration and Appointments Committee, The Board of Directors considers that the current succession plans of the executive Directors are not able to ensure, in the reality of corporate life, the timely replacement of Directors who have stood down from their positions, on or before the completion of their mandate.

It is believed that such documentation can easily become abstract statements of principles, perhaps produced with the help of expensive consultants, and often containing obvious recommendations for requirements of ability, professionalism and integrity that persons covering these roles must in any event necessarily possess, or complex and often useless procedures for the selection of ideal candidates.

### **4.2. Composition**

The table in Appendix 1 lists the names of the members of the Board of Directors in office at 31 December 2013.

The Board of Directors was appointed at the ordinary shareholders' meeting of 30 April 2013. It remains in office for the three-year period 2013-2015 and its mandate will expire at the shareholders' meeting to approve the financial statements for the year ended 31 December 2015.

Two lists were submitted at the shareholders' meeting of 30 April 2013: (i) Alicros S.p.A., the Company's controlling shareholder, submitted the following list of candidates:

1. Eugenio Barcellona
2. Camilla Cionini-Visani;
3. Luca Garavoglia
4. Thomas Ingelfinger
5. Robert Kunze-Concewitz
6. Paolo Marchesini
7. Marco Pasquale Perelli-Cippo
8. Stefano Saccardi
9. Francesca Tarabbo

which obtained a proportion of the vote equal to 53.64% of the share capital and (ii) a list submitted by Cedar Rock Capital Ltd., holder of a 10.84% stake in the Company's share capital, with a single candidate:

1. Karen Guerra,

which obtained a proportion of the vote equal to 25.53% of the share capital.

Pursuant to Consob resolution 18452 of 30 January 2013, issued in accordance with article 144-septies of the Issuer Regulation, the shareholding requirement for the submission of candidate lists for the election of Directors and Auditors was 1% of the share capital.

The above lists were unrelated.

The list of elected candidates is the same as the list of Directors shown in Table 1, since no changes have occurred since the appointment.

The *curricula vitae* of the Directors are available in the Investors section of the website [www.camparigroup.com](http://www.camparigroup.com) as appended to the list elected during the shareholders' meeting.

Directors who at 31 December 2013 were Directors or Auditors of other companies listed on Italian and foreign-regulated markets, and/or of financial companies, banks, insurance companies or large companies, are listed below:

- Eugenio Barcellona: Member of the Board of Directors of Angelini Finanziaria S.p.A. and of Fondazione Angelini;
- Luca Garavoglia: Member of the Board of Directors of Amplifon S.p.A. and RCS MediaGroup S.p.A.;
- Karen Guerra: Member of the Board of Directors of Amcor Ltd., Swedish Match AB and Electrocomponents PLC;
- Thomas Ingelfinger: Member of the Board of Directors of Beiersdorf S.p.A.;

- Paolo Marchesini: Member of the Board of Directors of Gregson's S.A. and Sella&Mosca S.p.A.;
- Stefano Saccardi: Chairman of the Board of Directors of Campari Wines S.r.l. and J.Wray&Nephew Ltd and member of the Board of Directors of Campari Australia Pty Ltd. and Sella&Mosca S.p.A.

#### **Maximum number of roles held in other companies**

The Board of Directors has set out general criteria for the maximum number of director and auditor positions in other companies that is compatible with an effective performance as a Director of the Company.

The following limits were defined by a Board resolution of 8 May 2007:

- executive Directors may not accept the position of executive Director in other companies listed on regulated markets (whether in Italy or abroad), and/or in financial companies, banks, insurance companies or large companies, other than Davide Campari-Milano S.p.A. and companies directly or indirectly controlled by the same;
- executive Directors may take on the position of non-executive Director in no more than five companies listed on regulated markets (whether in Italy or abroad) that are financial, banking, insurance companies or large companies, other than Davide Campari-Milano S.p.A. or companies directly or indirectly controlled by the same;
- non-executive Directors (independent or otherwise) may accept the position of Director and/or Auditor in no more than ten other financial, banking, insurance companies or large companies, of which no more than five may be companies listed on regulated markets (in Italy or abroad).

For the purposes of the above, companies belonging to the same group count as a single entity.

Following its renewal, the Board of Directors shall check annually that all the Directors comply with the aforementioned limits.

This check was also carried out when the Report was approved.

#### **4.3. Role of the Board of Directors**

The Board of Directors held six meetings over the Financial Year.

The average duration of the meetings was about two hours.

Four meetings have been scheduled for Financial Year 2014.

One meeting of the Board was held before the approval of the Report.

In accordance with the Board of Directors' resolution of 12 March 2012, the submission of the financial statements and reports must take place at least 48 hours in advance, except in the event that the documents are of particular complexity or in particularly large quantities.

Members of the Board of Directors were fully supplied with the documentation and the information needed to take decisions, normally within the above-mentioned time scale.

No non-members attended Board of Director meetings.

According to the provisions of the Code, it is the exclusive responsibility of the Board of Directors to examine and approve the strategic, business and financial plans of the Company and the Group, and regularly monitor their implementation.

The Board of Directors is also responsible for defining the Company's corporate governance system and the Group structure.

The Board of Directors assessed as satisfactory the organisational, administrative and general accounting procedures of the Company adopted by the Managing Directors, with a particular focus on the internal control and risk management system.

The assessment was made at the meeting to approve the draft annual financial statements and the Report in light of the information contained in the accounting documents submitted, and in view of the information provided by the Chairman of the Control and Risks Committee in his own report to the Board of Directors. Following the recommendations made by the Control and Risks Committee, the Board of Directors identified strategic subsidiaries, basing its assessment on the net sales generated by each company as a proportion of total consolidated sales and taking into account working capital and invested capital.

Using the above criterion, the Board of Directors views the following companies as strategic on the date of approval of the Report:

- Campari America, LLC.;
- Campari do Brasil Ltda.;
- Campari Deutschland GmbH;
- J.Wray&Nephew Ltd.

The Board of Directors also assessed as satisfactory the organisational, administrative and general accounting procedures of the above-mentioned strategic subsidiaries.

This assessment was given at the meeting to approve the draft annual financial statements and this Report, after examination of the accounting documents submitted and in view of the information on these companies provided by the Chairman of the Control and Risks Committee in his own report to the Board of Directors.

The Board of Directors determined the remuneration of the Managing Directors after examining the proposals made by the Remuneration and Appointments Committee and following consultation with the Board of Statutory Auditors.

The shareholders' meeting of 30 April 2013, which renewed the Board of Directors, resolved to award each Director annual compensation of € 25,000.00 for each financial year, before any legally required deductions.

The Board of Directors assessed general management performance, paying particular attention to information provided by the delegated bodies and regularly comparing results achieved with results forecast.

In view of the limits of the mandates given to the Managing Directors, however, Company transactions of major importance in terms of strategy, finances or assets were examined and approved in advance.

In the case of subsidiaries, as part of ordinary practice and following the adoption of the Code, the Board of Directors also examined and approved in advance transactions of strategic importance to the Company's activities.

It was agreed with the above-mentioned significant holdings that transactions of major importance in terms of strategy, finances or assets are those listed below, for which prior examination and approval by the Company's Board of Directors is required:

- the purchase or sale of shares, units or investments from or to parties not belonging to the Group;
- the purchase or sale of trademarks from or to parties not belonging to the Group;
- the purchase or sale of assets with a value in excess of € 5,000,000;
- the signing of contracts with a duration of over ten years;
- any transaction that, although still within the above-mentioned limits, is in any case considered of major importance in terms of the strategy, assets and finances of the Company, in view of the transaction's purpose or its specific characteristics.

The Board of Directors is responsible for examining and approving in advance operations by the Company and its subsidiaries, in which one or more Directors has an interest, either on their own account or on behalf of third parties, as provided for in the procedures for transactions with related parties (Related Party Procedures) approved by the Board on 11 November 2010 and in force from 1 January 2011, pursuant to Consob resolution 17221 of 12 March 2010 (Regulation for Related Party Transactions).

See section 12 below for a summary of these procedures.

The Board of Directors has not assessed the size, composition and operation of the Board itself and of its committees, and has not issued guidelines on what professional profiles would be appropriate for its members, preferring to leave this assessment to the shareholders at the time of the Board's renewal.

The Board of Directors held the view that the actual application of such assessments does not provide any significant benefits.

It appears somewhat unlikely that those carrying out a self-assessment would give a negative judgement on the functioning of their own board or push for an opportunity to introduce new professional figures without implicitly admitting that the current Directors did not possess the qualities needed to carry out their duties. Equally, the Board of Directors does not plan to entrust this assessment to a consultancy company, since this would certainly not satisfy the need for third-party independent judgement, but would certainly generate a cost for the Company.

The shareholders' meeting has not given general or advance approval to exemptions to the non-competition clause contained in article 2390 of the Civil Code, except in the case of all the direct and indirect subsidiaries of the Company and of its associates and affiliates and companies subject to the joint control of the Company.

No agreements have been made regarding compensation for non-competition obligations.

#### **4.4. Delegated bodies**

##### **Managing Directors**

The Board of Directors has awarded managerial mandates to Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi. The financial limits and nature of these mandates is summarised as follows:

- with sole signature:
  - purchasing and selling products, semi-finished goods, raw materials and services pertaining to the corporate purpose, and coordinating all related commercial activity to a maximum limit of € 2,500,000.00 per contract and per financial year;
  - signing and cancelling contracts in respect of agents, business procurement, mediation, commission, distribution, brand licensing, administration, tenders, deposits, loans of assets, advertising, insurance, freight and transport, sponsoring, insurance and leasing, to a maximum of € 2,500,000.00;
  - calling in and collecting loans, sums of money and anything else owed to the Company and issuing the relevant receipts;
  - opening, managing and closing current accounts in any currency at any bank or post office in Italy and abroad; issuing and endorsing bank cheques on current accounts in the Company's name in any currency and using sums in these accounts to a maximum of € 15,000,000.00 per transaction;
  - arranging and using lines of credit, provided that these are not secured with real guarantees, and signing agreements for loans to or from subsidiaries, to a maximum of € 30,000,000.00 per loan;
  - purchasing and selling shares and bonds, foreign or supranational Italian government securities and other financial products, including structured products, and marketable securities of any kind, to a maximum of € 15,000,000.00 per transaction;
  - purchasing and selling property for a total of up to € 5,000,000.00 in any financial year;
  - representing the Company in all its dealings with administrative and fiscal authorities and with any legal authority.
- joint signature:
  - signing purchasing contracts of the types listed under the first point, for sums of between € 2,500,000.00 and € 15,000,000.00;
  - signing contracts of the types listed under the second point, for sums of between € 2,500,000.00 and € 10,000,000.00;
  - using sums, in current accounts opened with any bank or post office in Italy or abroad and in any currency, of between € 15,000,000.00 and € 50,000,000.00 per transaction;
  - arranging and using lines of credit, provided that these are not secured with real guarantees, and signing agreements for loans to and from subsidiaries, for sums of between € 30,000,000.00 and € 150,000,000.00 per loan;
  - purchasing and selling shares and bonds, foreign or supranational Italian government securities and other financial products, including structured products, and marketable securities of any kind, up to a maximum of € 30,000,000.00 per transaction;
  - purchasing and selling property for a total of up to € 20,000,000.00 in any financial year;
  - authorising extraordinary maintenance of corporate property for a total of up to € 10,000,000.00 in any financial year.

##### **Chairman of the Board of Directors**

In view of the nature of the duties to be carried out vis-à-vis third parties, the Chairman of the Board of Directors has been granted powers to represent the Company at institutional level.

The Board of Directors has given the Chairman of the Board of Directors the power to represent the Company in respect of associations, federations, confederations and consortia formed to protect the interests of the alcoholic drinks and soft drinks industries, and to represent the Company's concerns in dealings with consumers and consumers' associations, local communities, public institutions in Italy, Europe and elsewhere, the public administration and any other associations, including political associations. The Chairman of the Board of Directors does not hold principal responsibility for the management of the Company and is not the controlling shareholder; by virtue of his specific role in the preparation of the corporate strategies, he is considered to be an executive director.

##### **Executive Committee**

The Board of Directors has not established an executive committee.

##### **Reporting to the Board of Directors**

Pursuant to article 19 of the Articles of Association, the Managing Directors reported on at least a quarterly basis to the Board of Directors and the Board of Statutory Auditors on the activities carried out in relation to their mandates, on major transactions entered into by the Company or Group companies, and on transactions in which they had a personal interest or an interest on behalf of a third party.

#### **4.5. Other executive directors**

There are no executive Directors other than the Managing Directors and the Chairman of the Board of Directors.

During the Financial Year, the non-executive Directors attended meetings, both formal and informal, to discuss company matters with a view to increasing their knowledge of the Group.

#### **4.6. Independent directors**

The Board of Directors:

- at the first meeting of the Board of Directors following its renewal, verified compliance with the independence criteria stipulated in the Code for Directors who had declared themselves independent when the candidate lists were submitted, notifying the market of the outcome of this assessment through a press release, pursuant to article 3 of the Code;
- also assessed whether each of these Directors fulfilled the criteria for independence stipulated in the Code when the Report was approved;
- in carrying out these assessments, applied all the criteria set out in the Code and in the TUF, checking in particular that they had no commercial, financial or professional relationships with the Company.

The Board of Statutory Auditors verified that the criteria and assessment procedures adopted by the Board of Directors to evaluate the independence of its members were correctly applied, agreeing with the conclusions reached by the Board of Directors when it approved the Report.

The independent Directors did not deem it necessary to meet during the Financial Year, as the information flow received by the executive Directors was deemed complete, i.e. sufficient to inform them of the main corporate business enabling them to take well-informed advisory decisions.

#### **4.7. Lead independent director**

The Board of Directors has not designated an independent Director as Lead Independent Director since the Chairman of the Board of Directors does not hold principal responsibility for management of the Company and does not directly and personally control the Company.

### **5. Handling of company information**

At the suggestion of the Managing Directors, the Board of Directors has adopted a 'Procedure for the Handling of Confidential Information'.

This procedure defines internal responsibilities for the handling of confidential information, the rules of conduct for those who become aware of such information and the related procedures for divulging information, including to the press.

The procedure applies to Directors, Auditors and employees of the Company and other companies belonging to the Group.

Management of confidential data is the responsibility of the Managing Directors of Group companies. The task also falls to the Chief Executive Officer and the General Counsel and Business Development Officer as regards acquisitions and disposals, and to the Chief Financial Officer for financial information.

### **6. Board Committees**

Pursuant to articles 21 and 22 of the Articles of Association and to the Code, the Board of Directors has established a Control and Risks Committee and a Remuneration Committee that, to further streamline the structure, also incorporates the functions of the appointments committee (the Remuneration and Appointments Committee).

Both committees are sub-groups of the Board of Directors and are responsible for providing advice and generating proposals.

No committees other than those provided for in the Code have been created.

## **7. Remuneration and Appointments Committee**

The Remuneration and Appointments Committee met four times during the Financial Year.

For the current Financial Year, around four meetings are expected to be held. In addition, further ad hoc meetings will be held with key management figures (e.g. meetings are planned with, inter alia, the head of the Group Supply Chain and the head of the Southern Europe, Middle East and Africa, and Duty Free business unit).

A meeting was held before approval of the Report.

During the Financial Year, the Remuneration and Appointments Committee consisted of three non-executive Directors, the majority of whom were independent.

One member of the Committee has knowledge and experience of accounting and finance considered by the Board of Directors to be adequate at the moment of appointment.

At the invitation of the Remuneration and Appointments Committee and regarding specific agenda items, the Chairman of the Board of Directors as well as key managers in the Company attended meetings of said Committee, with the aim of evaluating the appropriateness of its role and the suitability of incentives so as to ensure its maximum contribution to the Group.

### **Functions of the Remuneration and Appointments Committee**

With respect to appointments, the Remuneration and Appointments Committee:

- recommends candidates for Director positions to the Board of Directors, pursuant to article 2386, paragraph 1 of the Civil Code, when an independent Director is to be replaced;
- proposes candidates for independent Director positions for submission to the shareholders' meeting, taking into account any recommendations from shareholders;
- does not formulate opinions for the Board of Directors on the size and composition of the Board or on what professional profiles would be appropriate within it, for the reasons explained above.

With respect to remuneration, the Remuneration and Appointments Committee:

- submits to the Board of Directors proposals for determining the general remuneration policy for executive Directors, other Directors with specific duties and managers with strategic responsibilities;
- regularly assesses the adequacy, overall consistency and actual application of the general policy adopted regarding the remuneration of executive Directors, other Directors with specific duties and managers with strategic responsibilities, obtaining in this regard information provided by the Managing Directors and formulating, if appropriate, relevant proposals to put to the Board of Directors;
- submits proposals to the Board of Directors regarding the remuneration of executive Directors and other Directors with specific duties, as well as proposals concerning the setting of performance objectives linked to the variable component of this remuneration, monitoring the application of the decisions taken by the Board itself, checking, in particular, that performance targets have been met.

The main activities carried out by the Remuneration and Appointments Committee during the Financial Year, with respect to its individual functions, were as follows:

- precisely determining the variable component of Managing Directors' remuneration in relation to the target for 2012;
- determining the target for 2013 for calculating the variable component of the Managing Directors' remuneration;
- assessing the suitability of the incentive schemes for the manager responsible for preparing the financial statements;
- approving the draft report on the stock option plan;
- proposing changes to the framework regulation for the allocation of stock options;
- assessing the reasonableness of proposals for allocating stock option plans to senior managers other than the Managing Directors;
- providing opinions on the appointment of key managerial figures (Group Supply Chain, the North America business unit and the South Europe business unit)

Remuneration and Appointments Committee meetings lasted for about one hour and were duly minuted.

In carrying out its functions, the Remuneration and Appointments Committee had access to the company information and company departments necessary to perform its tasks, and also made use, if necessary, of external consultants, under the terms stipulated by the Board of Directors.

A budget of € 50,000.00 was made available to the Committee to carry out its duties during the Financial Year. The Remuneration and Appointments Committee did not use any external consultants during the year.

Committee members were allocated specific annual compensation of € 12,500.00 for their committee-related activities.

No Directors took part in meetings of the Remuneration and Appointments Committee at which proposals for their remuneration were formulated for the Board of Directors.

## **8. Remuneration of directors**

For complete information regarding the remuneration of Directors, please see the Remuneration Report approved by the Board of Directors, based on the proposal of the Remuneration and Appointments Committee at the meeting that approved the Report.

Pursuant to article 123-ter of the TUF, the Remuneration Report will be put to a consultative vote at the next shareholders' meeting and published on the website [www.camparigroup.com](http://www.camparigroup.com) under the Investors section.

The remuneration policy for executive Directors, other Directors with specific duties and managers with strategic responsibilities is determined by the Board of Directors, based on the proposal of the Remuneration and Appointments Committee, and having consulted the Board of Statutory Auditors.

Specifically:

- a) with the exception of the Chairman of the Board of Directors, who, in view of the particular nature of the role, receives only fixed remuneration, for other executive Directors the fixed and variable components are balanced in such a way that they are equal if the targets set have been reached in full; this balancing appears to be consistent with the strategic objectives and characteristics of the Company's activities;
- b) a maximum limit is set for the variable component, specifically when 120% of the specified target has been reached;
- c) the fixed component provides an appropriate and guaranteed basic level of remuneration for the performance of duties, and is sufficient to remunerate executive Directors even in the event that the variable component is not paid following failure to reach targets.
- d) the performance targets set for the variable component are pre-established and can be easily calculated on the basis of figures in the Company's consolidated financial statements; these are based on profitability and cash generation indices that are completely consistent with the creation of value for shareholders in the medium to long term.
- e) the variable component is fully paid on the achievement of stated objectives that are measured on the basis of the results for the Financial Year. The purpose of the variable component is to provide a short-term incentive on an annual basis, while loyalty is fostered and incentives provided to executive Directors in the medium to long term through the allocation of stock options. For this reason, it did not seem appropriate to defer payment of a significant part of the variable remuneration.
- f) no specific compensation, other than that dictated by the law, is payable in the case of Directors standing down early from their positions; equally, no specific compensation is payable in the event of the non-renewal of a mandate.

### **Share-based remuneration plans**

The executive Directors are beneficiaries of the Company's stock option plans, with their regular issues, under the same conditions as for other beneficiaries.

Non-executive Directors are not the beneficiaries of any stock option plan.

Specifically:

- a) the plans have an exercise period of at least five years;
- b) the plans confer the right to purchase, at the end of the vesting period, shares in the Company at a price equal to the average for the thirty days prior to allocation. It is therefore only financially advantageous to exercise the option when, at the time of exercise, the Company's share price is higher than that at the moment of allocation, creating value for the shareholders;
- c) the Directors are in no way obliged to retain, to the end of their mandate, any shares purchased by exercising stock option plans, given that it is considered that the current incentivisation system of stock option plans repeated over time, with exercise periods of at least five years, fosters in executive Directors a high degree of loyalty and participation in the medium to long-term performance of the Company.

## **Remuneration of executive directors**

See above.

## **Mechanisms to incentivise the head of internal audit and the manager responsible for preparing the Company's financial statements**

The mechanisms to incentivise the head of internal audit and the manager responsible for preparing the Company's financial statements are the same as those universally applicable to all managers in the Group.

The long-term incentivisation systems consist of the allocation of stock options and therefore depend on stock market performance, while short-term incentivisation systems depend on the achievement of performance targets for the Group as a whole (which can be fully calculated from items in the financial statements subject to audit). As regards this specific variable component, if it is true that-in principle-it may be desirable to adopt parameters that are completely unrelated to quantitative/accounting data, it is considered preferable, also for these managers, to use the same incentivisation mechanisms as those used for the Group as a whole. And in fact: (i) the weight of this specific short-term variable remuneration component seems to be in the right proportion to the fixed component and to long-term variable remuneration; (ii) the fixed component for the manager responsible for preparing the financial statements was duly increased; (iii) the adoption of an incentivisation system that is completely unrelated to quantitative/accounting parameters would incur organisational and procedural charges, and the implementation cost does not seem at all justified by the hypothetical benefits of such an alternative incentivisation system.

## **9. Control and Risks Committee**

The Control and Risks Committee held six meetings during the Financial Year, lasting 1.5 hours on average, including four in its new composition.

Six meetings are scheduled for the current Financial Year, including one held before approval of the Report.

The Control and Risks Committee comprises three exclusively non-executive Directors, the majority of whom are independent, and from whom the Chairman, Thomas Ingelfinger, was appointed.

Most members of the Control and Risks Committee have appropriate and extensive experience in accounting and finance, deemed as such by the Board of Directors when the Control and Risks Committee was formed.

### **Functions of the Control and Risks Committee**

The Control and Risks Committee carries out the following functions:

- it provides the Board of Directors with a preliminary opinion concerning the carrying out of the duties assigned to the Board pursuant to the Code as regards internal control and risk management. This opinion is non-binding in the case of decisions relating to the appointment, termination and remuneration of the head of internal audit and the resources to be made available to him/her;
- it assesses, in conjunction with the manager responsible for preparing the company's accounting statements and the independent auditors, whether the accounting principles are being correctly and uniformly applied in the preparation of the consolidated financial statements;
- it expresses opinions, at the request of the relevant executive Director, on specific aspects relating to identifying the main business risks;
- it examines periodic reports intended to assess the internal control and risk management system, and those of particular significance prepared by internal audit;
- it monitors the autonomy, adequacy, effectiveness and efficiency of internal audit;
- where the need arises, it asks the internal audit function to carry out checks on specific operational areas, providing appropriate communication of this to the Chairman of the Board of Statutory Auditors;
- it reports to the Board of Directors at least twice a year, when the annual and half-yearly financial statements are approved, on activities carried out and on the adequacy of the internal control system;
- it identifies relevant persons pursuant to article 114 of the TUF, as stipulated by the Internal Dealing Procedure.

- pursuant to the Related Party Procedure, it expresses a non-binding opinion as to whether it is in the interests of the Company to carry out transactions of minor significance, as well as on the general suitability and probity of the related terms and conditions.

During the Financial Year, the Control and Risks Committee:

- assessed and expressed opinions on corporate risks brought to its attention by the head of internal audit as part of the auditing activities completed by the latter;
- examined the work plan for the Financial Year drawn up by the head of internal audit, integrating and sharing its objectives;
- held a meeting with the external auditors to verify the auditing work carried out up to that date, ensuring that there was, however, a continual exchange of information between the head of internal audit, the external auditors and the Board of Statutory Auditors;
- assessed the auditing company's observations relating to 2012;
- examined the integration of the Group's internal audit function with that of J.Wray&Nephew Ltd., a recently-acquired company;
- examined the annual safety report for plants in Italy;
- checked the outcome of the recommendations made during the 2012 audit;
- reported to the Board of Directors on the work carried out in the first and second half of the year and gave its opinion on the adequacy of the internal control system.

The entire Board of Statutory Auditors usually attends meetings of the Control and Risks Committee.

Meetings of the Control and Risks Committee are duly minuted.

In carrying out its functions, the Control and Risks Committee has the power to access the information and business functions necessary to perform its duties and to use the services of external consultants, under the conditions established by the Board of Directors. The Control and Risks Committee did not use any external consultants during the year. A budget of € 100,000.00 was made available to the Control and Risks Committee during the Financial Year to enable it to carry out its duties.

## **10. Internal control and risk management system**

At its meeting on 20 December 2012, the Board of Directors specified the type and level of risk compatible with the Company's strategic objectives, defining its risk assessment plan in light of its strategic, business and financial plans.

On 11 September 2007, the Board of Directors established guidelines for the internal control and risk management system, so that the main risks faced by the Company and its subsidiaries could be correctly identified and appropriately measured, managed and monitored. It also established criteria for the compatibility of these risks with effective and proper management of the Company.

The key elements of the internal control and risk management system described in the above guidelines can be summarised as follows:

The Board of Directors intends to make the Company's internal control and risk management system an integral part of the operations and culture of the Group. To this end, it is establishing information, communication, training, remuneration and disciplinary processes aimed at promoting effective risk management and discouraging conduct that goes against the stated principles of these processes.

Pursuant to article 21 of the Articles of Association and in light of the provisions set out in the Code, the main tasks of the Company's internal control and risk management system are as follows:

- to enhance the efficiency of Company operations, by facilitating an appropriate response to operational, financial, legal and other risks that may impede the achievement of business objectives;
- to ensure that the system of internal and external reporting is effective;
- to contribute to compliance with standards and regulations, and internal procedures;
- to protect Company property from improper or fraudulent use, or loss.

The following criteria have also been established to identify risks and are to be submitted to the Board of Directors for consideration:

- the nature of the risk, with particular reference to risks of a financial nature, risks relating to compliance with accounting standards and risks that may have a material effect on the reputation of the Company and the Group;
- a high probability that the risk will occur;
- limited capacity of the Company and Group to reduce the effect of the risk on operations;
- the risk is significant.

As part of normal practice, when it meets to approve the draft annual financial statements and the Report, having heard the report of the Chairman of the Control and Risks Committee on the activities carried out by the Committee during the previous Financial Year, the Board of Directors assesses the effective operation of the Control and Risks Committee and gives an opinion on its adequacy and efficiency.

For the Financial Year under review, pursuant to the procedure summarised above, the Board of Directors ascertained that the internal control and risk management system had functioned effectively, that it was adequate and effective in relation to the characteristics of the Company and the risk profile adopted.

#### **10.1. Director responsible for the internal control and risk management system**

The Board of Directors appointed Paolo Marchesini (Chief Financial Officer) as the executive Director responsible for supervising the functioning of the internal control and risk management system.

In this capacity, he performed the following tasks;

- identified the main business risks (strategic, operational, financial and compliance-related), taking into account the nature of the activities carried out by the Company and its subsidiaries, and periodically presented these to the Board of Directors for review;
- implemented the guidelines established by the Board of Directors for planning, establishing and managing the internal control system, and monitored its general adequacy, effectiveness and efficiency on an ongoing basis;
- adapted the system to changes in operating conditions, regulations and legislation.

The Director responsible for supervising the functioning of the internal control and risk management system has the power to ask internal audit to carry out checks on specific operational areas and on compliance with internal rules and procedures relating to the carrying out of business transactions, providing appropriate communication thereof to the parties specified in the Code.

This Director also has the power to report to the Control and Risks Committee or the Board of Directors problems and critical issues that emerge during his activities or of which he has been notified, so that these bodies can take appropriate action.

No circumstances of this nature applied during the Financial Year.

#### **10.2. Head of internal audit**

On 30 April 2013, following a proposal from the executive Director responsible for supervising the functioning of the internal audit system and having sought the opinion of the Control and Risks Committee, the Board of Directors appointed Antonio Zucchetti as head of internal audit, determining his remuneration in line with company policy and assigning him the task of verifying that the internal control system is always adequate, fully operational and functional.

The head of internal audit does not have any operating responsibilities or report to any managers working in operational areas, including administration and finance.

The head of internal audit:

- checks, both continuously and in relation to specific needs and in compliance with international standards, the efficiency and suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process that analyses and prioritises the main risks;
- had direct access to all information needed to carry out his duties;
- produced regular reports containing full information concerning his activities, methods used to manage risks, compliance with plans devised to contain these risks, as well as an assessment of the appropriateness of the internal control and risk management system; these reports were sent to the Chairman of the Statutory Board of Auditors, the Chairman of the Audit and Risks Committee and the Chairman of the Board of Directors, as well as to the Director responsible for the internal control and risk management system.
- checked, as regards the audit plan, the reliability of IT systems, including those used in financial reporting systems.

During the Financial Year, the head of internal audit did not produce or send reports regarding events of particular significance to the Chairman of the Statutory Board of Auditors, the Chairman of the Audit and Risks Committee and the Chairman of the Board of Directors, nor to the Director responsible for the internal control and risk management system, as no such events took place.

The head of internal audit was allocated a budget of € 420,000.00 to carry out his duties during the Financial Year.

The main activities carried out by the head of internal audit during the Financial Year were as follows:

- checking the main risk profiles for J.Wray&Nephew Ltd , with particular regard to identifying environmental risks;
- checks at TJ Carolans&Son Ltd;
- checks in the receivables area of the Wines business unit;
- checks at Campari Mexico S.A. de C.V.;
- checks at Kaloyannis-Koutsikos Distilleries S.A.;
- checks in the receivables area of Campari RUS LLC;
- checks on the degree of security of the Group's IT systems;

The results of all the activities summarised above were reported to the Control and Risks Committee at the meetings held during the Financial Year.

The internal audit department has not been outsourced, either as a whole or for any operating segment.

### **10.3. Organisational model pursuant to Legislative Decree 231 of 8 June 2001**

On 11 November 2008, the Board of Directors approved the Model which then came into effect on 1 January 2009, allowing for it to be updated in the event of legislative changes. The Model is designed to prevent all offences described in the above decree, with a particular focus on offences against the public administration, corporate and financial offences and offences committed in breach of regulations on health and safety at work.

The boards of directors of the Italian subsidiaries adopted the Model approved by the Company and were placed within the remit of a single Group Supervisory Body.

In this way the Company sought to strengthen its own supervision of internal organisation and control, raising awareness among recipients of the Model of transparent behaviour in order to adequately reduce the risk of these offences being committed.

The Model was drawn up in accordance with the guidelines for the creation of organisational, management and control models issued by Confindustria. Rather than the creation of a new organisational system, it represents a formalisation of existing supervision, procedures and controls that are part of the broader organic internal control system already adopted by the Company in compliance with applicable regulations. The Board of Directors appointed Pellegrino Libroia, Enrico Colombo and Chiara Lazzarini as members of the Supervisory Body, i.e. the Board of Auditors, pursuant to Law 183 of 12 November 2011, after verifying that they met the requirements of autonomy and independence, professionalism and full-time availability, as stipulated by law. The Board of Directors deemed it appropriate, as part of the rationalisation of the control system, to assign the functions of the Supervisory Body to the Board of Auditors.

During 2013, the Supervisory Body drew up a plan whose main aim was to review business processes in place to prevent offences against the public administration. The Model is available in the Investors section of the website at [www.camparigroup.com](http://www.camparigroup.com).

### **10.4. Independent Auditors**

PricewaterhouseCoopers S.p.A., which has its registered office at Via Monte Rosa 91, Milan, was engaged to audit the Company's accounts by the shareholders' meeting of 30 April 2010.

The engagement was made for the financial years 2010-2018.

### **10.5. Manager responsible for preparing the Company's financial statements**

On 30 April 2013, the Board appointed Paolo Marchesini as the manager responsible for preparing the financial statements.

Paolo Marchesini is a Managing Director of the Company and its Chief Financial Officer.

Pursuant to article 21 of the Articles of Association, having heard the opinion of the Board of Statutory Auditors and the Control and Risks Committee, the Board may appoint one or more senior managers to prepare the financial statements and carry out the related functions required by law. Any employee with several years' administrative or financial experience in large companies may be appointed to this post.

The manager responsible for preparing the financial statements, in his capacity as Chief Financial Officer, heads the Company's administrative structure tasked with providing all the accounting documents.

In view of the above and of the powers conferred on Managing Directors, the manager responsible for preparing the financial statements:

- has direct access to all information necessary to produce accounting data without authorisation;
- has a dedicated budget;
- takes part in internal accounting-related processes;

- plays a role in creating and approving all company procedures that have a direct effect on the statement of financial position, the income statement and cash flow statement, making particular use of IT systems;
- plays a role in defining and implementing administrative and accounting procedures for the preparation of financial statements, making use of the internal auditing structure and monitoring its effective application;
- uses information provided by the internal audit department to carry out specific checks.

#### **10.6. Coordination of entities involved in the internal audit and risk management system**

As part of its well-established practice, the Control and Risks Committee, the meetings of which, as noted above, are usually attended by the Board of Statutory Auditors, formally meets the managers of the external auditors at least once a year in order to assess the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements.

Similarly, the Board of Statutory Auditors organises at least once a year a meeting with the managers of the external auditors, attended by the head of Internal Audit, specifically to obtain an update on audit activities and the main issues arising during such activities.

The director responsible for the internal audit and risk management system, who for the Company is the same person as the manager responsible for preparing the Company's financial statements, has meetings almost on a weekly basis with the head of Internal Audit, in which they discuss any issues that arose during the execution of the audit plan.

#### **10.7. Main features of the current risk management and internal control systems relating to the financial disclosure process, pursuant to article 123-bis, paragraph 2b) of the TUF**

The Group's internal control system for financial reporting consists of all the rules adopted by individual business units, in order to achieve-via a suitable process for identifying the main risks connected to the preparation and circulation of financial disclosure-the goals of veracity and accuracy of financial information.

The internal control system aims to provide reasonable certainty that the accounting information circulated-including consolidated information-provides a true and fair view of operations.

This enables the release of legal certifications and declarations regarding correspondence between the accounting books and entries and the companies' communications to the market of annual and interim information, and ensures that the administrative and accounting procedures in the period to which the financial statements refer (annual and half-year financial statements) are adequately and effectively applied, and that the statements are prepared in compliance with the applicable international accounting standards.

The risk management and control system for financial information is an integral part of the Groups' internal control system.

The Company has completed processes to bring its own financial information control system up to date with international best practice, to ensure the reliability, accuracy and timeliness of financial information.

Specifically, to guarantee a steady and efficient flow of financial and operational information between the Group's subsidiaries, the Group has a shared information system with verified and standardised access, supplemented with formal operational guidelines.

Consolidated reporting is thus provided by a Group 'accounting plan', by specific tools issued by the Company to the subsidiaries to produce accounting information for the purposes of consolidation, updated at least annually, and by a process for closing the financial statements, which sets out deadlines and methods for annual and interim closures.

Via the administrative department overseeing the consolidation process, the Company is responsible for implementing and circulating the above documentation to Group companies.

As already mentioned, the Board has appointed a manager responsible for preparing the financial statements, tasked with providing adequate administrative and accounting procedures for preparing the accounting information diffused to the market, and with overseeing compliance with these procedures in practice.

The Company's approach to assessing, monitoring and continually updating the internal control system for financial disclosure focuses on areas of greater risk and/or importance and on significant risk of error (including due to fraud), in the components of the annual financial statements and the appended disclosure documents.

Consequently, it identifies the main controls to adopt in order to mitigate the risks determined, thus ensuring that the internal control system is efficient in design and effective in operation.

The audit process implements monitoring activities focused on areas of greater risk and/or importance and on significant risk of error, in order to strengthen the existing control system or to correct specific failings in this system.

Implementation of coordinated action is continuously monitored by Internal Audit, which reports to the manager responsible for preparing the financial statements, the Board of Statutory Auditors and the Control and Risks Committee.

Internal Audit also determines whether documents supporting the conclusions reached should be collected and the methods used to achieve this, including for the purposes of verification by the Company itself.

To check the validity of the audits, the internal auditor analyses the results of the activities performed and identifies companies or processes most vulnerable to the risks identified, also for the purpose of planning future audits at local level.

This analysis is specifically reported pursuant to the reporting process created for all actions taken by Internal Audit.

## **11. Directors' interests and related party transactions**

As noted above, the Company has adopted Related Party Procedures to comply with the provisions of Consob Resolution 17221 of 12 March 2010 (the 'Regulation for Related Party Transactions'), as well as specific provisions set out in the Group's Code of Ethics in order to avoid or manage transactions in which there are conflicts of interest or which involve directors' personal interests.

The Related Party Procedures, which came into effect on 1 January 2011, were approved after a favourable opinion was provided by a committee (the 'RPT Committee') appointed by the Board of Directors and composed of independent Company directors, as required by article 4 of the Regulation for Related Party Transactions.

The Related Party Procedures define criteria for identifying related party transactions and procedures for their approval by the Board or by the shareholders' meeting, in strict compliance with Consob regulations. Specifically, criteria have been set for identifying transactions of major significance, with express reference to the thresholds set out in the Regulation for Related Party Transactions.

When such transactions do not fall within the remit of the shareholders' meeting, they are approved by the Board after the RPT Committee has issued a favourable opinion on the interest to the Company in carrying out the transaction and the substantive suitability and correctness of its terms.

Comprehensive information on the transaction must be forwarded to the RPT Committee, which must be kept continually and promptly informed about the progress of negotiations and the assessment stage of the transaction.

If the RPT Committee issues an unfavourable opinion on the transaction, the Board may nonetheless approve it, subject to shareholder authorisation.

Transactions of minor significance, defined as related party transactions other than transactions of major significance and transactions involving small sums, are approved by the relevant body, subject to a non-binding opinion issued by a committee composed of three non-executive directors, the majority of whom are independent, which may therefore be the same as the Control and Risks Committee.

The following are not covered by the Related Party Procedures:

- transactions involving small amounts, up to a threshold of € 100,000.00;
- compensation plans based on financial instruments approved by the shareholders' meeting;
- resolutions on the remuneration of directors with specific duties, other than those indicated in article 13, para.1 of the Regulation for Related Party Transactions, and of managers with strategic responsibilities, provided that:
  - i) a remuneration policy has been adopted;
  - ii) the Remuneration and Appointments Committee was involved in determining the remuneration policy;
  - iii) a report explaining the remuneration policy has been submitted to the shareholders' meeting for approval or consultation purposes;
  - iv) the remuneration allocated is consistent with this policy;
- ordinary transactions carried out on terms equivalent to market or standard terms;
- transactions with or between subsidiaries, either individually or jointly, and transactions with associated companies, when there are no interests classed as significant held by other related parties of the Company in the subsidiaries or associated companies that are counterparties in the transaction.

By obtaining information from the interested parties, the head of the Corporate Secretariat draws up and regularly updates a list of related parties of the Company, and is also responsible for the internal distribution of this list.

The Board of Directors has not adopted operational solutions to facilitate the identification of situations in which a Director had a personal interest or an interest on behalf of a third party, as it deems the Related Party Procedures sufficient to identify such situations.

On 14 November 2013, the Board of Directors, after examining Consob Communication DEM/10078683 of 24 September 2010, which recommends that listed companies should assess, at least every three years, whether to review the procedures with related parties, and after obtaining the opinion of the RPT Committee, resolved not to change the Related Parties Procedure,

## **12. Appointment of the Board of Statutory Auditors**

As set out in article 27 of the Articles of Association, the appointment of the Board of Statutory Auditors is made on the basis of lists presented by shareholders, on which the candidates are numbered sequentially.

The list contains two sections: one for candidates for the position of Standing Auditor and the other for candidates for the position of Alternate Auditor.

Each list that has at least three candidates must include a number of candidates of the less represented gender that is at least equal to the minimum quota prescribed by applicable law (with regard to the positions of both Standing Auditor and Alternate Auditor).

Minority shareholders may elect one Standing Auditor and one Alternate Auditor.

Only shareholders that, individually or with other shareholders, hold the maximum percentage of the share capital of the Company permissible under law and the regulations that may be in force or, failing this, hold at least 5% of the voting capital, may submit candidate lists.

Pursuant to Consob resolution 18775 of 29 January 2014, issued in accordance with article 144-septies of the Issuer Regulation, the shareholding requirement for the submission of candidate lists for the election of the Company's management bodies is 1% of the share capital.

To demonstrate that the minimum shareholding requirement for the submission of lists has been met, shareholders shall provide, together with their candidate lists, a copy of a statement issued by their financial intermediary evidencing their ownership of the shares according to the terms and procedures set out in the applicable regulations.

Individual shareholders and shareholders belonging to the same group may not, either directly or indirectly through a nominee or fiduciary company, submit more than one list of candidates or vote for different lists.

Each candidate may appear on one list only, or shall be deemed ineligible.

The procedure for the election of auditors is as follows:

1. two Standing Auditors and two Alternate Auditors are selected from the list obtaining the greatest number of votes at the shareholders' meeting, according to the sequential order in which they appear in the respective sections of the list;

2. the remaining Standing Auditor and the other Alternate Auditor are selected from the list obtaining the second highest number of votes at the shareholders' meeting, according to the sequential order in which they appear in the respective sections of the list.

If the minimum quota is not met for the less-represented gender applicable to members of the Board of Statutory Auditors (with regard to positions of both the Standing Auditor and Alternate Auditor), then the place of the last candidate of the more-represented gender on the majority list will be taken by the next candidate of the less-represented gender on the same list.

If there is a tie between lists obtaining the highest number of votes:

- a) two Standing Auditors and two Alternate Auditors are selected from the list submitted by the shareholders holding the largest investment at the time the lists are submitted or, in the second instance, from the list presented by the largest number of shareholders or, in the third instance, from the list whose candidate that is listed first is the oldest;

- b) the remaining Standing Auditor, who shall be the Chairman of the Board of Statutory Auditors, and the other Alternate Auditor are selected from the next list based on the criteria set out in point a) above.

If there is a tie between lists obtaining the second highest number of votes (a tie between minority lists), a Standing Auditor, who shall be the Chairman of the Board of Statutory Auditors, and an Alternate Auditor are drawn from the list identified according to the criteria set out in point a) above.

When an auditor leaves his/her post, the replacement auditor will be, subject to availability, the first Alternate Auditor on the same list as the departing auditor, as long as he/she meets the requirements stipulated for the post.

The Articles of Association do not provide for the selection of more Alternate Auditors from the minority list to replace the minority component than the minimum prescribed by the Consob regulation.

The submission, deposit and publication of lists are subject to the law and/or regulations in force.

The lists must be deposited at the Company's registered office no later than 25 days before the date of the shareholders' meeting, pursuant to article 144-*sexies* of the Issuer Regulation, together with the information expressly requested by the same article.

The lists and the relative curricula vitae are published by the legal deadlines on the Company's website.

### 13. Auditors

The Board of Statutory Auditors was appointed by the shareholders' meeting of 30 April 2013 for the three-year period 2013-2015 and will expire at the shareholders' meeting to approve the financial statements for the year ending 31 December 2015.

In accordance with Consob Resolution 18452 of 30 January 2013, issued pursuant to article 144-*septies* of the Issuer Regulation, the minimum percentage shareholding for submission of candidate lists for the election of the Company's management bodies was 1% of the share capital.

At the ordinary shareholders' meeting of 30 April 2013, two lists were presented:

- Alicros S.p.A., the Company's controlling shareholder, presented the following list of candidates:

First section (candidates for Standing Auditor positions):

1. Enrico Maria Colombo;
2. Chiara Lazzarini;
3. Alessandro Masala.

Second section (candidates for Alternate Auditor positions):

1. Piera Tula;
2. Giovanni Bandera;
3. Giampaolo Porcu

obtaining 53.65% of the vote.

- Cedar Rock Capital Ltd., which holds approximately 10.84% of the Company's capital, presented the following single-candidate list:

First section (candidates for Standing Auditor positions):

1. Pellegrino Libroia.

Second section (candidates for Alternate Auditor positions):

1. Graziano Gallo.

obtaining 25.56% of the vote.

The above lists were unrelated.

Pursuant to article 148, paragraph 2-bis of the TUF, the shareholders' meeting appointed Pellegrino Libroia, the Auditor taken from the minority list, as Chairman of the Board of Statutory Auditors.

The list of candidates elected is the same as the list of auditors appended in Table 2, since no changes have occurred since the appointment.

Nine meetings of the Board of Statutory Auditors were held in the Financial Year, lasting three hours on average.

A meeting was held before approval of the Report.

Five meetings are scheduled for the current financial year.

The proposals to the shareholders' meeting for the appointment of the auditors currently in office were accompanied by a detailed curriculum vitae for each candidate.

The curricula vitae of all the auditors are provided in the Investors section of the website at [www.camparigroup.com/investors](http://www.camparigroup.com/investors) as appended to the list elected at the aforementioned shareholders' meeting.

The Board of Statutory Auditors:

- assessed the independence of its members after their appointment;
- assessed during the Financial Year whether the independence requirements continued to apply to its own members;

- in carrying out these assessments, applied all the criteria set out in the Code relating to the independence of directors and verified that the requirements were met.

In compliance with the Code, the Company requires any auditor who, on his/her own behalf or on behalf of a third party, has an interest in a particular Company transaction, to promptly provide comprehensive information on the nature, terms, origin and scale of the interest to the other auditors and the Chairman of the Board of Directors.

The Board of Statutory Auditors oversaw the independence of the external auditing company, verifying that the relevant legal requirements were met, as well as the nature and extent of the various auditing services carried out for the Company and its subsidiaries by the external auditing company and entities belonging to its network.

In performing its duties, the Board of Statutory Auditors coordinates and collaborates with Internal Audit and the Control and Risks Committee.

This coordination is achieved via continual attendance of the Board of Statutory Auditors at meetings of the Control and Risks Committee, the frequent attendance of the head of Internal Audit at meetings of the Board of Statutory Auditors and continual information exchanges between the members of the Board of Statutory Auditors and the head of Internal Audit.

In order to gain an appropriate understanding of the business segment in which the Company operated during the Financial Year, the Board of Statutory Auditors visited the headquarters of Sella&Mosca S.p.A. in Alghero to learn in detail the methods of managing agricultural activities associated with the cultivation of the vines and the industrial processes for making wines.

#### **14. Relations with shareholders and investors**

The Company has communicated regularly with investors, shareholders and financial market operators in general since its listing, with a view to providing complete, accurate and timely information on its operations, while complying with the relevant confidentiality requirements for certain types of information. It provides information to investors, the market and the media on its periodic results and significant events and transactions via press releases, analyst conference calls and meetings with institutional investors, financial analysts and the press, attended by representatives of senior management.

It also provides timely information via its website, one of the main means by which corporate information is made available to the public.

The Company has set up a dedicated area on its website, easy to find and access, where it provides Company information of importance to its shareholders, so that they are fully aware of their rights and how to exercise them.

This dedicated section ([www.camparigroup.com](http://www.camparigroup.com), Investors section) contains business and financial information (including annual, half-yearly and quarterly reports, press releases, analyst presentations and the Company's stock market performance, the financial calendar with details of the main financial events during the current year, etc.), as well as data and documents of interest to shareholders, including information and documents relating to the shareholders' meeting and the composition of management bodies.

The Investors Section, a key tool for conveying information about the Company to the public, was recently redesigned and enriched with new information content (the composition of the company's share capital and its placements in the debt capital markets) and applications, including an interactive version of the Company's financial statements and information tools such as the interactive graph, which shows the performance of Campari stock over time and enables users to compare it with various other indices (e.g. peer performance) and to calculate returns.

In addition, a section dedicated entirely to corporate governance was created, where it is possible to access all the relevant information on the governance system, the Company's corporate bodies and shareholders' meetings, the Remuneration Report, risk management policies, regulations and procedures including the procedure governing information requirements relating to internal dealing, procedures for transactions with related parties and the Model.

The new website was developed to be compatible with all electronic communications devices to facilitate increasingly broad and immediate access through new technology.

The Investor Relations department, headed by Chiara Garavini, is responsible for managing relations with shareholders and investors, and has been operational since the Company's listing.

Information of interest to shareholders and investors is available on the website, and may also be requested by e-mail from [investor.relations@campari.com](mailto:investor.relations@campari.com).

## **15. Shareholders' meetings**

The shareholders' meetings are called by the Board using the procedures and terms prescribed by law and the applicable regulations.

Eligibility to attend and vote at shareholders' meetings is certified via communication to the Company within the appropriate deadlines and according to the methods set out by law and applicable regulations.

Shareholders may appoint a representative for the shareholders' meeting according to the procedures set out in the applicable legislation.

Pursuant to article 135-undecies of the TUF, for each shareholders' meeting, the Company shall identify a party to whom shareholders may confer a proxy, with voting instructions for the agenda items, no later than the end of the second open market day preceding the date set for the shareholders' meeting.

The notice calling the shareholders' meeting will name the party designated by the Company to which the proxy may be conferred.

The proxy may be sent to the Company electronically, using one of the methods set out in the applicable regulations.

Eligibility to attend and vote at the shareholders' meeting is certified via communication to the Company by the financial intermediary, on the basis of its own accounting records, on behalf of the party holding the voting right.

Pursuant to article 83-sexies of the TUF, the communication is made by the financial intermediary on the basis of its records at the end of the accounting day on the seventh open market day preceding the date set for the shareholders' meeting (first or single call), with no provision that the shares remain unavailable until the shareholders' meeting has taken place.

Communications must be received by the Company by the end of the third open market day preceding the date set for the shareholders' meeting.

Eligibility to attend and vote will be validated by communications received by the Company after the above deadline, as long as they are received by the start of meeting proceedings (first call).

The main powers of the shareholders' meeting and the rights of shareholders and the methods of exercising these rights are regulated by the applicable laws and regulations.

The Articles of Association do not make provision for postal voting.

Shareholders' meetings are conducted according to the regulation on shareholders' meetings (the 'Regulation').

The Regulation governs ordinary and extraordinary shareholders' meetings, as well as special shareholders' meetings, inasmuch as they are compatible. It sets out rules concerning meeting attendance, verification of proof of identity with particular reference to proxies, the powers of the Chairman with respect to declaring a quorum, opening the meeting, directing discussion, voting and vote counting.

Article 3 of the Regulation stipulates that verification of the identity of those wishing to take part in or attend the meeting is carried out by staff employed by the Company, from at least one hour prior to the start of the meeting, as stated in the notice of meeting.

Those attending as representatives of one or more shareholders with voting rights must provide proof of identity as well as the written proxy.

On arrival, each shareholder is given a full set of documents relating to attendance at the meeting.

Pursuant to article 7 of the Regulation, every shareholder has the right to take the floor on any of the agenda items, and to make observations and formulate proposals.

Requests to speak can be made up until the point when the Chairman declares discussion on the matter closed.

Speakers must be clear and concise, keep strictly to the matter in hand and finish speaking within the time deemed sufficient by the Chairman.

The Chairman or (at his invitation) whoever is assisting him, answers the questions put by the speakers immediately or when all the speakers have been heard.

The Chairman also discusses answers provided by the Company to questions submitted prior to the meeting pursuant to article 127-ter of the TUF that he considers to be of general interest, and replies to the questions received by the deadline that have not yet been answered.

A single answer may be given to several speakers in respect of the same subject matter.

All participants entitled to take part in the vote may declare the reason for their vote, taking only the time that is strictly necessary.

When casting a vote, participants must clearly raise a hand or follow the instructions of the Chairman at the time of each vote. Equipment may also be provided to facilitate the vote counting process.

The Chairman may set a time limit in which votes are to be cast.

If the vote is not unanimous, depending on the individual circumstances, the Chairman may invite those abstaining and voting against the proposed resolution, if they do not outnumber those voting in favour, or alternatively, those in favour, if they are outnumbered by those against, to declare or to make known their intentions.

When voting is complete, the Chairman announces the results and declares that the resolutions obtaining a majority of votes in favour, in accordance with the law, the Articles of Association and the Regulation, have been approved.

The Regulation is available in the Corporate section of the website at [www.camparigroup.com](http://www.camparigroup.com).

Participants wishing to leave the shareholders' meeting before the end, and in any event, before a vote, must inform the staff responsible so that the total number of votes available at the meeting can be recalculated.

The Board reports to the shareholders' meeting on the activities carried out and planned by the Company, and seeks to ensure that shareholders have sufficient information on the areas covered to allow them to make informed decisions.

Seven directors attended the shareholders' meeting held on 30 April 2013.

Only the Chairman of the Board of Directors spoke.

By the legally established deadline, the Company publishes on its website the documents to be submitted for the review and approval of the shareholders' meeting and the form that shareholders' may use for proxy voting.

There were no significant changes to the Company's market capitalisation or to its shareholder base over the Financial Year.

## **16. Other corporate governance practices**

The corporate governance practices adopted by the Company are set out in law, the applicable regulations and the Code.

As described above, the Company has adopted a Model pursuant to Legislative Decree 231 of 8 June 2001.

## **17. Changes since the end of the Financial Year**

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

**Table 1: Composition of the Board of Directors and the committees**

Board of Directors											Audit Committee		Remuneration and Appointments Committee	
Position	Name	In post since	In post until	List	Executive	Non-executive	Independent according to Code	Independent according to TUF	% attendance at meetings	Other positions		% attendance at meetings		% attendance at meetings
Chairman	Luca Garavoglia	19 September 1994	Approval of 2015 financial statements	M	X				100	1				
Managing Director	Robert Kunze-Concewitz	23 July 2007	Approval of 2015 financial statements	M	X				100	-				
Managing Director	Paolo Marchesini	10 May 2004	Approval of 2015 financial statements	M	X				100	2 <sup>2</sup>				
Managing Director	Stefano Saccardi	31 March 1999	Approval of 2015 financial statements	M	X				100	4 <sup>2</sup>				
Director	Eugenio Barcellona	24 April 2007	Approval of 2015 financial statements	M		X			100	2		100	X	100
Director	Camilla Cionini-Visani	30 April 2013	Approval of 2015 financial statements	M		X	X	X	100	-	X	100	X	100
Director	Karen Guerra	30 April 2010	Approval of 2015 financial statements	m		X	X	X	100	3				
Director	Thomas Ingelfinger	30 April 2010	Approval of 2015 financial statements	M		X	X	X	83	1	X	83	X	100
Director	Marco P. Perelli-Cippo	24 March 1994	Approval of 2015 financial statements	M		X			100	-	X			
<b>Quorum required to submit lists for the last appointment: 1% of share capital</b>														
<b>Number of meetings during the Financial Year:</b>					Board of Directors: 6			Control and Risks Committee: 6			Remuneration and Appointments Committee: 4			

<sup>1</sup> M = member elected from list voted for by the majority; m = member elected from list voted for by the minority.

<sup>2</sup> Positions exclusively in Group companies.

**Table 2: Composition of the Board of Statutory Auditors**

Position	Name	In post since	In post until	List <sup>1</sup>	Independent per Code	% attendance at meetings	Other positions
Chairman of Board of Statutory Auditors	Pellegrino Libroia	30 April 2010	Approval of 2015 financial statements	m	X	100%	11
Standing Auditor	Enrico Maria Colombo	30 April 2010	Approval of 2015 financial statements	M	X	100%	13
Standing Auditor	Chiara Lazzarini	30 April 2013	Approval of 2015 financial statements	M	X	100%	37
Alternate Auditor	Giovanni Bandera	30 April 2010	Approval of 2015 financial statements	M		-	23
Alternate Auditor	Graziano Gallo	30 April 2010	Approval of 2015 financial statements	M		-	0
Alternate Auditor	Piera Tula	30 April 2013	Approval of 2015 financial statements	m		-	2
<b>Quorum required to submit lists for the last appointment:</b> 1% of share capital							
<b>Number of meetings during the Financial Year:</b> 6							

<sup>1</sup>M = member elected from list voted for by the majority; m = member elected from list voted for by the minority.

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**Davide Campari-Milano S.p.A**

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