

CONSOLIDATED LAW ON FINANCE

Article 148 Composition

1. The Articles of Association of a company shall establish, for the board of auditors:

- a) the number, not less than three, of auditors;
- b) the number not less than two, of alternates;
- c) ...omissis...
- d) ...omissis...

1-bis. The Articles of Association of the company shall also state that the division of members pursuant to section 1 shall be made in such a way that the less-represented gender shall obtain at least two fifths of the regular members of the board of auditors. This division criterion shall apply for six consecutive mandates. If the composition of the board of auditors resulting from the election does not comply with the division criterion provided for in this section, CONSOB shall warn the company concerned to comply with this criterion within the maximum term of four months from the warning. In the event of non-compliance with this warning, CONSOB shall apply a fine of between Euro 20,000 and Euro 200,000 and set a new term of three months for compliance. In the event of further non-compliance with respect to this new warning, the elected members shall lose their position. CONSOB shall lay down regulations on the infringement, application and observance of the rules on gender quotas, including with reference to the investigation phase and the procedures to be adopted, on the basis of its own regulations to be adopted within six months from the date of entry into force of the rules contained in this section.

2. CONSOB establishes the rules for the election procedure by list vote of a member of the Board of Auditors by minority shareholders, that are not directly or indirectly associated with the shareholders that submitted or voted the list qualifying as first for the number of votes received. Article 147-ter, paragraph 1-bis shall apply.

2-bis. The chairman of the board of auditors shall be appointed by the shareholders' meeting from among the auditors elected by the minority shareholders.

3. The following persons may not be elected as auditors and, where elected, they shall be disqualified from office:

- a) persons who are in the conditions referred to in Article 2382 of the Civil Code;
- b) spouses, relatives and the like up to the fourth degree of kinship of the directors of the company, spouses, relatives and the like up to the fourth degree of kinship of the directors of the companies it controls, the companies it is controlled by and those subject to common control;
- c) persons who are linked to the company, the companies it controls, the companies it is controlled by and those subject to common control or to directors of the company or persons referred to in paragraph b) by self-employment or employee relationships or by other relationships of an economic or professional nature that might compromise their independence.

4. In a regulation adopted pursuant to Article 17(3) of Law 400/2003, in agreement with the Minister of the Economy and Finance, after consulting CONSOB, the Bank of Italy and Ivass, the Minister of Justice shall lay down the integrity and experience requirements for the members of the board of auditors, the supervisory board or the management control committee. Failure to satisfy the requirements shall result in disqualification from the position.

4-bis. Paragraphs 1-bis, 2 and 3 shall apply to supervisory boards.

4-ter. Paragraphs 2-bis and 3 shall apply to management control committees. The representative of the minority shareholders shall be the director elected pursuant to Article 147-ter(3).

4-quater. In the cases provided for in this article, disqualification shall be declared by the board of directors or, for companies organised according to the two-tier system or the one-tier system, by the shareholders' meeting within thirty days of the appointment or of its learning of subsequent failure. In the event of inaction by the competent body, CONSOB shall declare the disqualification, at the request of any interested party or if it learns of the existence of the grounds for disqualification.

Article 148-bis **Limits on the cumulation of positions**

1. CONSOB shall lay down in a regulation the limits to the cumulation of management and control positions that members of the internal control bodies of companies referred to in this chapter and of companies with financial instruments widely distributed among the public in accordance with Article 116 may hold in all the companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code. CONSOB shall establish such limits taking into account the onerousness and complexity of each type of position, including in relation to the size of the company, the number and size of the firms included in the consolidation, and the extension and articulation of its organisational structure.

2. Without prejudice to Article 2400, fourth paragraph, of the Civil Code, members of the internal control bodies of companies referred to in this chapter and of companies with financial instruments widely distributed among the public in accordance with Article 116 shall inform CONSOB and the public, within the time limits and in the ways prescribed by CONSOB in the regulation referred to in paragraph 1, of all the management and control positions they hold in companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code. CONSOB shall declare the disqualification from positions taken on after the maximum number provided for in the regulation referred to in the first paragraph was reached.