



Report on Corporate Governance and Ownership Structure 2015

Pursuant to Article 123-bis of Legislative Decree no. 58/98 and 89-bis, Consob Issuer Regulations
(traditional administration and control model)

Issuer: TISCALI SPA

Website: www.tiscali.com

Year to which the Report refers: 2015

Date of approval of the Report: 25 March 2016

Table of Contents

1. Introduction
2. Corporate Governance Structure
 - 2.1 General Principles
 - 2.2 Model Adopted
 - 2.3 Corporate Bodies and Company Assigned for Auditing
 - 2.4 Share ownership
 - 2.5 Amendments to significant agreements of the Company as a result of a change of Control
3. Report on compliance with the recommendations contained in the Corporate Governance Code
 - 3.1 Board of Directors
 - 3.2 Meetings
 - 3.3 Board of Statutory Auditors
 - 3.4 Committees within the Board of Directors and other Governance Bodies
 - 3.5 Internal Controls
4. Internal auditing relative to accounting and financial information
 - 4.1 Introduction
 - 4.2 Key characteristics of present risk management and internal auditing systems in relation to the financial reporting process
5. Organisation, management and control model pursuant to Legislative Decree 231/2001
6. Governance of Transactions with Related Parties
7. Confidential information and market disclosure. Investor Relations

Report on Corporate Governance and Ownership Structure

1. Introduction

In accordance with Article 123-*bis* of Legislative Decree 58/1998, as implemented by Article 89-bis of the Issuers Regulations adopted by Consob with resolution 11971 of 14 May 1999, listed companies are required to prepare a report, on an annual basis, providing information on their *Corporate Governance* system and adherence to the Code's recommendations (as defined below). This report shall be made available to the Shareholders at least 21 days before the Meeting for approval of financial statements for the year and shall be published in the "*investor relations*" section of the Company's website, at www.tiscali.com.

The Board of Directors of Tiscali S.p.A. ("**Tiscali** "or the "**Company**"), in compliance with the prescribed obligation and with the intention of providing extensive corporate disclosure to Shareholders and investors, has prepared this report (the "**Report**"), in compliance with the guidelines published by the Borsa Italiana S.p.A. (Italian Stock Exchange) and in view of information provided by Assonime.

Moreover, the Report consists of two parts. The first part fully illustrates the corporate governance model adopted by Tiscali and describes the corporate bodies and the shareholders, and other information referred to in the aforementioned Art. 123 bis of Legislative Decree 58/98. The second part however, provides detailed disclosure regarding compliance with the recommendations of the Code through a comparison between the choices made by the Company and said recommendations of the Code. On 25 March 2016, the Board of Directors evaluated, in accordance with the Code, the size, composition and operation of the Board and its Committees considering them adequate to the managerial and organizational needs of the Company. The Board took into account the professional qualifications, experience and managerial skills of its members and examined the practical operation of the corporate bodies during 2015. Of the nine Members in office since 16 February 2016, only the Chairperson and the Managing Director have executive powers, three non-executive directors are also independent. In its evaluation, the Board took into account the positions held by the Directors in other companies, and the real commitment of the Directors in the Company's operations.

2. Corporate Governance Structure

2.1 General principles

"*Corporate Governance*" means the overall processes to manage the business with the objective of creating, preserving and increasing value, over time, for Shareholders and investors. These

processes must ensure the achievement of corporate goals, maintaining responsible corporate behaviour, transparency and accountability to the Shareholders and the investors.

In order to ensure the transparency of management operations, full disclosure to the market and the protection of relevant corporate interests, the corporate governance system adopted by Tiscali fully draws on the recommendations of the Corporate Governance Code (the "**Code**") Approved by the Committee for *Corporate Governance* in March 2006, as last updated in July 2015 and available at <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm> page.

The Company adopts practices and principles of conduct, formalized in procedures and codes, in line with the indications of Borsa Italiana S.p.A., the recommendations of CONSOB and with *best practices* in place at national and international level, in addition, Tiscali is equipped with an adequate organizational structure to manage, with correct methods, business risks and potential conflicts of interest that might arise between Directors and Shareholders, between majority and minority interests and between the different stakeholders.

2.2 Model adopted

In relation to the management and control system, the Company has adopted the traditional model, which requires the presence of the Board of Directors and the Board of Statutory Auditors, the Company believes that this system should provide a clear division of roles and responsibilities between governing bodies and an effective management of the Company.

2.3 Corporate bodies and company assigned for auditing

The governing bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

Board of Directors

On 30 April 2015, the Shareholders' Meeting appointed the Board of Directors in office until approval of the financial statements at 31.12.2017. Below, the composition and activities of the Board during 2015 and until the termination of the office took place on February 16, 2016:

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties - role (***)
Renato Soru	1957	Chairperson and Chief Executive Officer	30/04/2015	Executive	approval of financial statements as at 31.12.2017	9 June 1997	-	11/11			
Luca Scano	1971	Director	30/04/2015	Non-Executive	approval of financial statements as at 31.12.2017	21 December 2009	-	11/11	M 6/7		
Gabriele Racugno	1944	Director	30/04/2015	Non-Executive	approval of financial statements as at 31.12.2017	5 May 2005	-	8/11		M 3/4	M 0/1
Assunta Brizio	1950	Independent Director	30/04/2015	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	28 August 2012	-	11/11	M 7/7	M 3/4	M 1/1
Franco Grimaldi	1955	Independent Director	30/04/2015	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	21 December 2009	-	11/11	P 7/7	P 4/4	P 1/1

(*) The position may not have been covered on an ongoing basis from the date of first appointment

(**) This column shows the attendance of directors at meetings of the Committees and qualifications of adviser within the Committee: "P": Chairperson; "M": member.

(***) Appointments as directors or statutory auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

Subsequently, following the resignation, in December 2015, by a majority of the Directors, the Shareholders' Meeting took steps, on 16 February 2016, for the appointment of a new Board of Directors. Below, the composition and activities of the appointment to the date of this report:

Member	Year of birth	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties - role (**)	Investment Committee (**)	Committee for Extraordinary Financial Transactions (**)
Renato Soru	1957	Chairperson	16 February 2016	Executive	approval of financial statements as at 31.12.2017	9 June 1997	-	3/3				M	M
Riccardo Ruggiero	1960	Chief Executive Officer (CEO)	16 February 2016	Executive	approval of financial statements as at 31.12.2017	16 February 2016	-	2/3				P	P
Alexander Okun	1952	Vice-Chairperson	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	-	3/3				M	M
Konstantin Yanakov	1977	Director	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	6	3/3		M 3/3			
Nikolay Katorzhnov	1984	Director	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	2	3/3		M 3/3		M	M
Paola De Martini	1962	Independent Director	16 February 2016	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	16 February 2016	1	3/3	M 1/1	P 3/3	P 1/1		
Anna Belova	1961	Independent Director	16 February 2016	Non-Executive and Independent TUF	approval of financial statements as at 31.12.2017	16 February 2016	2	3/3	P 1/1	M 3/3	M 1/1		
Franco Grimaldi	1955	Independent	16 February	Non-Executive	approval of financial	21 December	-	3/3	M 1/1	M 3/3	M 1/1		

Member	Year of birth	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Appointments and Remunerations - role (**)	Committee for Transactions with Related Parties - role (**)	Investment Committee (**)	Committee for Extraordinary Financial Transactions (**)
		nt Director	2016	and Independent TUF	l statements as at 31.12.2017	2009							
Alice Soru	1980	Director	16 February 2016	Non-Executive	approval of financial statements as at 31.12.2017	16 February 2016	-	3/3					

(*) The position may not have been covered on an ongoing basis from the date of first appointment

(**) This column shows the attendance of directors at meetings of the Committees and qualifications of adviser within the Committee: "P": Chairperson; "M": Member

(***) Appointments as directors or statutory auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

It is noted, that the current Board was elected on the single list submitted to the Assembly of 16 February 2016 jointly by Renato Soru, Aria Telecom Holding BV and Otkritie Disciplined Equity Fund.

Board of Statutory Auditors

On 30 April 2015, the Shareholders' Meeting elected the Board of Statutory Auditors in office until approval of the financial statements at 31.12.2017. The Board of Statutory Auditors of the Company consisted of:

Statutory Auditor	Year of birth,	Office	Date of appointment for this term	Date of first appointment (*)	Independence Code	Participation in the Board of Statutory Auditor's meetings during the year 2015 and until February 16 2016	No. of other positions in issuers
Paolo Tamponi	24/07/1962	Chairperson	30 April 2015	21 December 2009	yes	17/17	-
Piero Maccioni**	07/04/1962	Standing Statutory Auditor	30 April 2015	30 June 1999	yes	7/7	-
Andra Zini	31/01/1963	Standing Statutory Auditor	30 April 2015	17 April 2000	yes	17/17	-
Rita Casu***	07/11/1963	Alternate Statutory Auditor	30 April 2015	30 November 1998	yes	9/10	-

Statutory Auditor	Year of birth,	Office	Date of appointment for this term	Date of first appointment (*)	Independence Code	Participation in the Board of Statutory Auditor's meetings during the year 2015 and until February 16 2016	No. of other positions in issuers
Valeria Secchi	30/08/1965	Alternate Statutory Auditor	30 April 2015	30 April 2015	yes	-	-

(*) The position may not have been covered on an ongoing basis from the date of first appointment

(**) Statutory Auditor from 15/05/2012 to 30/04/2015 and Alternate Statutory Auditor from 04/30/2015

(***) Alternate Statutory Auditor from 15/5/2012 to 30/4/2015 and Effective Statutory Auditor since 04/30/2015

Subsequently, following the resignation in the month of December 2015 by all of the Statutory Auditors, the Shareholder's Meeting proceeded on 16 February 2016 to the appointment of a new Board of Statutory Auditors consisting of:

Statutory Auditor	Year of birth,	Office	Date of appointment for this term	Date of first appointment (*)	Independence Code	Participation in the Board of Statutory Auditor's meetings at the date of the present report	No. of other positions in issuers
Paolo Tamponi	24/07/1962	Chairperson	16 February 2016	21 December 2009	Yes	3/3	-
Emilio Abruzzese	18/07/1957	Standing Statutory Auditor	16 February 2016	16 February 2016	Yes	3/3	-
Valeria Calabi	22/08/1966	Standing Statutory Auditor	16 February 2016	16 February 2016	Yes	3/3	-
Federica Solazzi Badioli	23/12/0966	Alternate Statutory Auditor	16 February 2016	16 February 2016	Yes	-	-
Augusto Valchera	01/06/1966	Alternate Statutory Auditor	16 February 2016	16 February 2016	Yes	-	-

(*) The position may not have been covered on an ongoing basis from the date of first appointment

It is noted, that the current Board was elected on the single list submitted at the Meeting of 16 February 2016 jointly by Members Renato Soru, Aria Telecom Holding BV and Otkritie Disciplined Equity Fund.

Corporate Financial-Accounting Reporting Officer

As required by Article 14 of the Bylaws and in compliance with the provisions of Law 262/2005, on 30 April 2015 the Board of Directors appointed the Corporate Finance Accounting Reporting Officer, Pasquale Lionetti, executive of the Company in possession of the necessary requirements and proven expertise in accounting and finance. The office of Dr Lionetti will expire with the subsequent renewal of the Board of Directors upon approval of the 2017 financial statements.

Company appointed to audit

The assignment for auditing was awarded to Reconta Ernst & Young S.p.A. on 29 April 2008. This appointment will expire with the approval of the 2016 financial statements by the Shareholders' Meeting.

Committees

At the meeting of the Board of Directors of 30 April 2015, following the appointment of the new Board of Directors to replace the previous with an expired mandate, the following internal Committees were set up:

- *Audit and Risk Committee*, composed of Franco Grimaldi (Chairperson), Assunta Brizio and Luca Scano.
- *Committee for Appointments and Remunerations*, composed by Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno.
- *Committee for Transactions with Related Parties*, composed by Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno.

In addition, pursuant to the Regulations containing provisions relating to transactions with related parties, adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequently amended by Resolution no. 17389 of 23 June 2010, the Company has adopted a regulation for transactions with related parties, in connection to which the Committee for Transactions with Related Parties operates.

Subsequently, following the resignation in the month of December 2015 by the majority of the Directors, and the appointment by the Shareholders' Meeting held on 16 February 2016, a new Board of Directors, the same, took steps to establish within it, during its first meeting on 16 February 2016, the following committees:

- *Audit and Risk Committee*, consisting of Anna Belova (Chairperson), Paola De Martini and Franco Grimaldi;
- *The Committee for Appointments and Remunerations*, composed of Paola De Martini (Chairperson), Konstantin Yanakov, Nikolay Katorzhnov, Anna Belova and Franco Grimaldi;
- *Committee for Transactions with Related Parties*, composed of Paola De Martini (Chairperson), Anna Belova and Franco Grimaldi;
- *Investment Committee*, composed of Riccardo Ruggiero (Chairperson), Renato Soru, Alexander Okun and Nikolay Katorzhnov;
- *Committee for Extraordinary Financial Transactions*, composed of Riccardo Ruggiero (Chairperson), Renato Soru, Alexander Okun, Nikolay Katorzhnov and Anna Belova.

The committees will expire in conjunction with the Board of Directors with the approval of the financial statements at 31 December 2017.

Supervisory Body

During the board meeting of 30 April 2015, the new Supervisory Body was appointed, composed by Attorney Maurizio Piras, external member acting as Chairperson, Angelo Argento, external member, and Carlo Mannoni, Head of Regulatory Affairs of the company function. Then Mr Mannoni resigned and he was replaced in September 2015 by Paolo Sottili, head of the HR department of the Company. The Supervisory Body will remain in office until approval of the financial statements at 31 December 2017 and will also carry out its supervisory functions on the subsidiary Tiscali Italia S.p.A. and Vevisible Srl.

Lead Independent Director

In line with the recommendations of the Corporate Governance Code, the Board of Directors, at its board meeting on 30 April 2015, appointed Lead Independent Director, Franco Grimaldi, this position is required by the Corporate Governance Code for listed companies where the same person holds the office of Chairperson of the Board and Chief Executive Officer or the latter is the main shareholder. The office was terminated following default of the conditions for its existence, since, with the appointment of the new Board of Directors on 16 February 2016, the positions of CEO and Chairperson were entrusted to two different persons.

Director in Charge of the Internal Control and Risk Management System

In line with the recommendations of the Corporate Governance Code, during the board meeting of 30 April 2015, Board Member Luca Scano was appointed Director in charge of internal control and risk management system (henceforth also Director in Charge). After the appointment of the new Board of Directors, on February 16 2016, the office was held by the CEO.

Secretary of the Board of Directors

Luca Naccarato, Manager of Legal and Corporate Affairs of the Group, has served as Secretary of the Board of Directors with the task of: assisting the Board in the preparation of board and shareholders' meetings and the preparation of its relative decisions, supervising and ensuring the adequacy, completeness and clarity of information flows to the Board and to the corporate bodies. On 22 February 2016, the Board of Directors appointed Paola De Martini as new Secretary of the Board of Directors.

2.4 Shareholding

At the date of this report, the share capital subscribed and paid amounts to Euro 169,076,822.67, divided into 3,145,281,893 ordinary shares with no par value, freely transferable in accordance with law without there being any securities that confer special control rights.

Stock option incentive plans

The Shareholders' Meeting of 16 February 2016 approved the Stock Option plan for 2015-2019 aimed at Renato Soru as Chairman of the Board of Directors and the relative approval to the Board for a capital increase of up to Euro 16,371,192.25 to service the aforementioned Plan. The authorisation regards the issuing of a maximum of 251,622,551 ordinary shares, to service a maximum of 251,622,551 options to be reserved for the beneficiary of the Plan. For more information, please refer to the Information Document on the Stock Option Plan 2015-2019 of Tiscali S.p.A. prepared by the Board of Directors pursuant to Art. 84 bis of the Issuer Regulations available on the website of the Company in the governance section http://investors.tiscali.it/it/governance/assemblee_azionisti/2016/16_02.php.

Increases authorised pursuant to Art. 2443 of the Italian Civil Code

The resolutions adopted during 2015, and pertaining to the share capital, are shown below:

- (i) By a resolution of 16 February 2015, the Board of Directors, following the authorization granted by the Extraordinary Shareholders' Meeting of 30 January 2015, increased its share capital with the ability to issue, in one or more tranches, a maximum number of 1,000,000,000 no par value ordinary shares. This share capital increase, to be executed by 31 December 2017, is aimed at Société Générale with the exclusion of right of first refusal. The execution of the increase will be preceded by publication of a special prospectus;
- (ii) by resolution of 29 September 2015, the Shareholders' Meeting granted the Board of Directors approval, in accordance with Art. 2443, Par. 2 of the Italian Civil Code, to increase the share capital from 1 to 31 March 2018, by issuing up to a total of 250,000,000 no par value ordinary shares at a subscription price of Euro 0.06. The increase is aimed at subscription by "Bank Otkritie Financial Corporation" (Public Joint-Stock Company);
- (iii) by a resolution of 16 February 2016, the Shareholders' Meeting cancelled the resolution referred to in the above-mentioned point (ii), and approved at the same a resolution to the Board of Directors pursuant to Art. 2443, Par. 2, of the Italian Civil Code, to increase the share capital from 1 to 30 March 2018, by issuing up to a total of 250,000,000 no par value ordinary shares at a subscription price of Euro 0.06. The increase is aimed at subscription by Rigensis Bank AS.

The following table specifies the name or the entity name of the Shareholders with voting rights holding a stake of more than 5% that have informed the Company and CONSOB of their participation. There are no restrictions on voting rights or the transfer of securities.

Shareholder	Percentage of the ordinary share capital and voting shares	Shares owned
Otkritie Disciplined Equity Fund	22.47%	706,997,483
Camphill Assets Ltd	11.68%	367,510,441
of which Aria Telecom Holdings B.V. under liquidation	5.59%	175,980,946
of which Askovia Investments Limited	6.08%	191,529,495
Renato Soru	10.48%	329,650,508
of which Cuccureddus	1.05%	33,112,352
of which Monteverdi	0.56%	17,609,873
of which Soru direct	8,87%	278,928,283

The remaining 55.37% of the capital is distributed by the market.

There are no statutory restrictions on voting rights or the transfer of securities, such as limitations on ownership of securities or acceptance clauses. In addition, there are no special systems for exercising voting rights in case of employee share ownership, which exercise their right in accordance with the provisions of the Bylaws.

Shareholders' Agreements

As at the date of this report, the Company is not aware of any shareholders' agreements in place. It is noted that, as reported in accordance with Law, 25 September 2015 Renato Soru, and the direct and indirect shareholders of Aria Italia signed a shareholders' agreement relating to the presentation of a common list to be submitted to the Tiscali Meeting that, after the effective date of the merger of the Tiscali Group and Aria Group, may be convened for the appointment of corporate offices as well as for the approval of a stock option plan in favour of the administrative body members. The agreement has been applied with reference to the Shareholder's Meeting of 16 February 2016.

2.5 Amendments to significant agreements of the Company because of a change of Control

In case of *change of control* of the Company or certain companies within the Group, relevant under the loan agreements with senior creditors of the Company, an amendment of the financing agreements is foreseen. In particular, the change of control implies the requirement of prepayment with reference to the aforementioned financing arrangements.

3. Report on compliance with the recommendations contained in the Corporate Governance Code

3.1 Board of Directors

Position

The Board of Directors plays a prominent role in the life of the Company, since it is the body entrusted with management of the company, as well as the task of strategic and organizational guidelines and as such is responsible for identifying the Company objectives and the achievement thereof.

This body has, pursuant to Article 14 (Powers of the administrative body) of the Corporate Bylaws in force, all the powers of ordinary and extraordinary administration. The Board of Directors reviews and approves the strategic, industrial and financial plans of the Company and the Group that it heads; reports quarterly to the Board of Auditors on the activities carried out and the most significant economic, financial and equity transactions carried out by the Company or its subsidiaries. The functions and powers exercised by the Company's Board of Directors, also in its function of strategic guidance, supervision and control of corporate activities, as provided for in the Corporate Bylaws and implemented in operational practice, are substantially in line with the provisions of the principles and application criteria of Art. 1 of the Code.

Composition

Article 10 (Company Administration) of the Bylaws provides that the Board of Directors must be composed of nine members, and that however, gender balance be assured in accordance with current legislation. The Board of Directors has set up the following internal committees: Audit and Risk Committee, Committee for Appointments and Remunerations, Committee for Transactions for Related Parties, Investment Committee and the Committee for Extraordinary Financial Transactions.

Chairman of the Board of Directors

The Corporate Bylaws provide that the Chairman of the Board of Directors convene the Board and oversee and coordinate its activities. At meetings of the Board of Directors, the Chairman ensures that the necessary documentation is prepared and distributed to the Directors, reasonably in advance, to allow the Board to express an informed opinion on the matters under its consideration.

In addition, at the meeting of 16 February 2016 the Chairman was delegated some executive powers to supervise the Company's management with respect to certain specific areas.

Chief Executive Officer (CEO)

The Corporate Bylaws also state that the Board of Directors, within legal limits, may appoint one or more Chief Executive Officers, establishing powers to be granted to them, within legal limits. The Board of Directors has granted executive powers to the CEO. In general, the CEO powers may be exercised up to a maximum value of 10 million Euro.

The delegated bodies report, at meetings of the Board of Directors and other venues to other Board Members and the Board of Statutory Auditors the transactions of greatest economic, financial and capital impact made by the Company or its subsidiaries. In addition, they provide adequate and continuous information to the Board of Directors in relation to atypical or unusual transactions which approval is not reserved to said Board, as well as on the most significant activities carried out in the context of the powers and duties conferred. It is common procedure, except in cases of necessity and urgency, that these activities are submitted in advance to the Board of Directors so that the same may decide upon them in a knowledgeable and thoughtful manner.

At its meeting of 16 February 2016, the Board appointed Alexander Okun as Vice Chairperson of the Board of Directors.

Non-executive, minority and independent Directors

In compliance with the provisions of Law 262/2005 and subsequent amendments, the Corporate Bylaws state that the composition of the Board of Directors meets the criteria established by law about the presence of independent directors within the Board. The Company complies with the Code and, currently, there are three independent Directors with a Board of nine members, of which only Renato Soru, Chairperson, and Riccardo Ruggiero, CEO, are in possession of the executive powers delegated by the Board.

The Board, at the time of appointment and, however, annually when this Report is prepared, evaluates the independence of the Directors, in consideration of the information provided by the individuals concerned, and will ensure appropriate disclosure to the market by publishing said Report. In the view of this analysis, the existence of the independence requirements was confirmed for Assunta Brizio and Franco Grimaldi and, after the appointment of the new Board of Directors, headed by Paola De Martini, Anna Belova and Franco Grimaldi. The independent Directors, in line with the recommendations of the Code, met without the other directors on 19 March 2015 as convened by the Lead Independent Director. On this occasion, compliance was assessed with the independence requirements and the corporate governance system and transactions with related

parties entered into in 2014 were assessed, as well as the existence of any conflicts of interests for the Executive Directors.

In relation to the administrative or control positions in other companies, the Board did not deem it necessary to define general criteria regarding the maximum number of offices compatible with the effective performance of the role of director in the Company, notwithstanding the duty of each Board Member to evaluate the compatibility of the offices of Director and Statutory Auditor, possibly held in other companies listed on regulated markets, in financial companies, banks, insurance or large companies, with the diligent performance of the duties assumed as Board Member of the Company. The list below shows the positions held by the current members of the Board of Directors in their capacity as directors of other listed companies, banking, financial or insurance companies or large companies. It should be noted that none of the Board Members cover roles in Boards of Statutory Auditors of other listed companies, banking, financial or insurance companies or large companies.

The Company publishes, in a special section entitled “*governance*” on the Website: www.tiscali.com the *professional CV's* of its Directors, to allow Shareholders and Investors to assess professional experience and authoritativeness of members of the Board of Directors.

Meetings

The Board of Directors meets on a regular basis and however, at the time of approval of the quarterly reports, the by-yearly reports and the drafting of financial statements. It is a well-established practice, that external managers and consultants are also called to attend the Board of Director's meeting, depending on the specific nature of the topics addressed, this also in order to facilitate timely and in-depth knowledge of the Company and the Group, as well as increasing the capacity to supervise the Board of Directors on business activities. As summarized in the table below, during the 2015, the Board of Directors met ten times, while during the 2016, to the date of this report, the Board of Directors met four times. All of the Directors and members of the Board of Statutory Auditors have attended most the aforementioned meetings, as evidenced by the details shown below.

Meetings 2015	16 February	19 March	30 April	15 May	15 July	25 August	14 September	13 November	17 December	29 December
Directors present	5/5	5/5	5/5	5/5	5/5	4/5	5/5	4/5	5/5	5/5
Percentage	100%	100%	100%	100%	100%	80%	100%	80%	100%	100%
Statutory Auditors Present	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3

Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
------------	------	------	------	------	------	------	------	------	------	------

Meetings 2016	15 January	16 February	22 February	25 March
Directors present	4/5	9/9	8/9	9/9
Percentage	80%	100%	89%	100%
Statutory Auditors present	3/3	3/3	3/3	3/3
Percentage	100%	100%	100%	100%

The average duration of the meetings of the Board in 2015 and in 2016 up to the date of this report was approximately 60 minutes.

The Board of Directors and the Board of Statutory Auditors are sent draft documents in advance to be approved jointly with any information and instrumental documents to the various resolutions. These are sent by the Corporate Administrative Office, which proceeds to gather the documents from the sectors responsible and to forward them with as much notice as possible. In general, the documentation is sent jointly with the convening notice for the Board meeting, as an exception, if not yet available, some documents may be sent after the convening notice but always with sufficient advance notice regarding the meeting. It is noted that the established procedure in the case of particularly voluminous or complex documentation, is to provide support for the Board Members with an *executive summary* specifically prepared by the competent corporate departments, which summarize the most significant and relevant points of the documents placed before the Board.

On 13 November 2015, the Board of Directors approved the calendar of its meetings for 2016:

- 25 March 2016 (Approval of the Annual Financial Statements draft as at 31 December 2015),
- 27 April 2016 (Annual Shareholders' Meeting)
- 12 May 2016 (Approval of the Quarterly Report as at 31 March 2016),
- 26 August 2016 (Approval of the By-yearly Report as at 30 June 2016),
- 11 November 2016 (Approval of the Quarterly Report as at 30 September 2016).

Appointment of Directors

Article 11 (Board of Directors) of the Bylaws provides for the appointment of directors, a list voting system, which ensures the appointment of a number of Directors, also among those listed, who have not obtained the majority votes, and ensures transparency and fairness of the appointment procedure. The right to submit the lists is granted to Shareholders who alone or jointly with other Shareholders represent at least the percentage of Share capital required by applicable regulations, in particular, Consob ruled that the shareholding required for the presentation of a list for 2016 is equal to 2.5% of the share capital. The aforementioned system ensures, therefore, that even minority Shareholders have the power to submit their own lists. Any person entitled to vote may vote for one list only. The Company has adjusted the current appointment systems to Law no. 120/2011 on gender equality regarding to access to management and supervisory bodies of companies listed on regulated markets; therefore, each list has to submit a number of candidates belonging to the less represented gender at least equal to the minimum number required by law.

The election of Directors proceeds as follows:

a.1) Regardless of the number of lists submitted, subject to the restrictions provided within this statute, for the purposes of election of directors, no account shall be taken of lists that have not obtained a percentage of votes equal to at least half of that required this provision for the submission of said lists.

a.2) If only one list is submitted, all 9 candidates within it will be elected.

a.3) If two or more lists are submitted and none of them is voted on by at least 34% of the share capital, applicants will be allocated among the various lists as follows:

a.3.a) if two lists are submitted, the following will be elected: (i) the first 6 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders;

a.3.b) if three lists are submitted, the following will be elected: (i) the first 4 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders; (iii) the first 2 candidates on the third list by number of votes cast by shareholders;

a.3.c) if four lists are submitted, the following will be elected: (i) the first 3 candidates on the first list by number of votes cast by shareholders; (ii) the first 2 candidates in the second list by number of votes cast by shareholders; (iii) the first 2 candidates on the third list by number of votes cast by shareholders; (iv) the first two candidates of the fourth list by number of votes cast by shareholders;

a.3.d) if five lists are submitted, the following will be elected: (i) the first 3 candidates on the first list by number of votes cast by shareholders; (ii) the first two candidates on the second list by number of votes cast by shareholders; (iii) the first 2 candidates on the third list by number of votes cast by

the shareholders; (iv) the first candidate on the list for the fourth list by number of shareholder votes; (v) the first candidate on the fifth list by number of shareholder votes;

a.3.e) if six or more lists are submitted, the following will be elected: (i) the first 3 candidates on the first list by number of votes cast by shareholders; (ii) the first 2 candidates on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by shareholders; (iv) the first candidate from the fourth list by number of votes cast by shareholders; (v) the first candidate of the fifth list by the number of votes cast by shareholders; (vi) the first candidate on the sixth list by the number of votes cast by shareholders;

a.4) If two or more lists are submitted and none of them is voted on by at least 34% of the share capital, the applicants will be allocated among the various lists as follows:

a.4.a) if two lists are submitted, the following will be elected: (i) the first 6 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders;

a.4.b) if three lists are submitted, the following will be elected: (i) the first 5 candidates on the first list by number of votes cast by shareholders; (ii) the first 3 candidates on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by shareholders;

a.4.c) if four lists are submitted, the following will be elected: (i) the first 5 candidates on the first list by number of votes cast by shareholders; (ii) the first 2 candidates on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by shareholders; (iv) the first candidate on the fourth list by number of votes cast by shareholders;

a.4.d) if five or more lists are submitted, the following will be elected: (i) the first 5 candidates on the first list by number of votes cast by shareholders; (ii) the first candidate on the second list by number of votes cast by shareholders; (iii) the first candidate on the third list by number of votes cast by the shareholders; (iv) the first candidate on the fourth list by number of votes cast by shareholder; (v) the first candidate on the fifth list by number of votes cast by the shareholder;

a.5) in the event that there are two lists voted on by at least 34% of the share capital without any of them having reached a percentage higher than 50%, the provisions under previous point a.3) will apply;

a.6) in case the event that there are two lists voted on by at least 34% of the share capital of which one has reached a percentage higher than 50%, the provisions under the previous point a.4) will apply.

Where, in any cases pursuant to this point a), one or more lists obtain a number of votes greater than the percentage specified at point a.1) but lower than 5% of the share capital, for the purpose of identifying the directors to be elected : (i) only the most voted among them will be taken into account; (ii) only the first candidate indicated on said list will be elected; (iii) any remaining directors attributable to such a list under the provisions of the preceding paragraphs a.3.a), a.3.b),

a.3.c), a.3.d), a. 3.e), a.4.a), a.4.b), a.4.c) and a.4.d), as referenced by the preceding points a.5) and a.6), will be allocated to the list with the highest number of absolute votes, subject to what is indicated therein, respectively, with regard to allocation of directors on several lists from the first to the last.

Where, under the aforementioned appointment procedure, at least two members who meet the independence requirements established by applicable law are elected, the last elected party not in possession of these requirements taken from the list that obtained the highest number of votes cast by shareholders after the first, that is not connected in any manner, even indirectly, with the shareholders who submitted or voted for this latter list must be replaced by the first candidate subsequently listed on said list who is in possession of such requirements and if as a result of such replacement, a member in possession of the independence requirements established by the applicable legislation still needs to be elected, the last of those elected not in possession of said requirements, drawn from the list that obtained the most votes, will be replaced with the first candidate subsequently listed on said list who is in possession of said requirements.

Where the Board of Directors elected in accordance with the above, does not allow for compliance with the balance between genders pursuant to current regulations, the last elected of the most represented gender of the list with the highest number of votes cast by shareholders, lack the number necessary to ensure compliance with the requirement and are replaced by the first unelected candidates of the less represented gender on the same list. In the absence of candidates of the less represented gender on the list with the highest number of votes cast by shareholders in sufficient number to proceed with replacement, the aforementioned criterion will apply to subsequent lists receiving the highest votes from which the elected candidates have been taken. If by applying the aforementioned criteria, it may not however be possible to identify the appropriate replacements, the Assembly will supplement the body with the legal majority, ensuring the fulfilment of the required balance between the genders required within the legal framework.

Pursuant to the aforementioned Article 11 (Board of Directors), the lists for proposal of appointment to the office of Director must be submitted to the registered headquarters at least twenty-five days before the date set for the Meeting, together with a description of the Professional CV of the candidates and a declaration by which each party accepts the appointment, certifying that there are no reasons for ineligibility or incompatibility, as well as certifying that the requirements of integrity and professionalism required by applicable regulations and Bylaws, substantially in line with the principles and criteria contained in Art. 5 of the Code, are in place. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law. In the event of resolution to appoint individual members of the Board of Directors, the system of appointment by list vote, which Art. 11 (Board of Directors) of the Bylaws provides for solely in case of complete renewal of the Board of Directors, will not apply.

Although based on the provisions of the aforementioned Article 11 (Board of Directors) and the aforementioned considerations on the Directors' appointment system, ensures a fair system, respectful of minority interests, the Board of Directors, however, has deemed it appropriate that the Committee for Remuneration also assume functions in terms of appointments, thus becoming the Committee for Appointments and Remunerations. For more information, also with reference to the information required by Article 123-bis, First Paragraph, Letter i and the Code of Conduct, please refer to the Remuneration Report to be submitted to the Meeting convened to approve the financial statements as at 31 December 2015.

To date, the Board has decided not to adopt a plan for the succession of executive directors.

3.2 Meetings

In line with the principles and application criteria pursuant to Art. 9 of the Code, the Company encourages and facilitates the participation of Shareholders in Meetings, providing, in accordance with regulations governing *price sensitive*, communications, the information concerning the Company requested by the Shareholders. The Company, in order to facilitate the information and participation of its Shareholders, as well as facilitating access to documents which, pursuant to and in accordance with law, must be made available to them at the registered headquarters when Meetings are convened, has incorporated a special section entitled "*Investor Relations* " on the website www.tiscali.com, which allows for downloading said information in electronic format.

As suggested by the third policy application in Art. 9 of the Code, the Shareholders' Meeting adopted its own Meeting Regulations, latest version of the 29 April 2011, also available on the Company's website. The Meeting Regulations were adopted with the aim of ensuring an orderly and effective performing of the meetings, define the rights and duties of all participants, and establish clear and unambiguous rules, without intending in any way to limit or restrict the right of each shareholder to express its opinions and demand explanations on the matters on the agenda. The Board of Directors believes that the prerogatives of the minority interests should be respected when approving resolutions, because the current Bylaws do not require majorities other than those specified by law.

Under Art. 2370 of the Italian Civil Code and Art. 8 (Participation in the Meeting) of the Bylaws, Shareholders for which the Company has received communication sent by the authorized intermediary pursuant to current regulations, certifying the ownership of shares on the so-called record date, as well as any voting proxy, may participate in the Meeting.

3.3 Board of Statutory Auditors

Appointment and composition

Consistent with the first principle of Art. 8 of the Code, regarding the appointment of the Statutory Auditors, Article 18 (Board of Statutory Auditors) of the Bylaws, provides a list voting system which

guarantees the transparency and fairness of the appointment procedure and protects the rights of minority interests.

Only Shareholders who alone or jointly with other Shareholders can document that they hold at least the percentage of Share Capital envisaged by applicable legislation, will have the right to submit the lists. The lists must indicate five candidates listed in numerical order, starting with the one who has seniority professionally. Consob established that the shareholding required for submission of a list for 2016 is equal to 2.5% of the share capital. Each Shareholder may submit or participate in submission of only one list and each candidate may appear on only one list subject to penalty of ineligibility. The lists of appointment proposals must be filed at the registered headquarters at least twenty-five days before the date scheduled for the Meeting, together with a description of the Professional *Resume* of the candidates and a declaration in which each accepts the appointment proposal, and states that there are no reasons for ineligibility or incompatibility, as well as the existence of requirements of integrity and professionalism required by applicable legislation and the Bylaws. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law.

Each Shareholder may vote for only one list. The following are elected: a) the list that obtained the most votes, in the progressive order in which they appear in the list, two Acting Members and two Alternate Members b) the third Acting Members is the first candidate on the list obtaining the highest number of votes after the first. In compliance with Law 262/2005, as amended by Legislative Decree 303/2006, the Chairmanship of the Board of Statutory Auditors goes to the first candidate on the list that obtains the highest number of votes after the first. The Company also took steps to supplement the appointment system for the Board of Statutory Auditors in order to ensure, however, compliance with the Law 120/2011 on so-called gender equality.

Requirements

Article 18 (Statutory Board of Auditors) of the Bylaws state that at least one of the Acting Statutory Auditors, and at least one of the Alternate Auditors, should be chosen from those listed in the register of auditors who have worked on statutory audits for a period of not less than three years. Statutory Auditors failing to meet the aforementioned condition must have gained at least a total of three year's experience in specific activities in any way related to the corporate purpose and, in any event, relevant to the telecommunications sector. The aforementioned article also stipulates that parties, which are already holding offices as Acting Statutory Auditors in more than five listed companies, cannot be appointed as Statutory Auditors.

In a special section entitled *Investor Relations* on the website www.tiscali.com, the Company publishes the professional résumés of its Statutory Auditors, so that the Shareholders and investors may assess the professional experience and the authoritativeness of the Board of Statutory Auditors members.

Activity

The members of the Board of Statutory Auditors operate autonomously and independently, in constant liaison with the Audit and Risk Committee, attending its meetings regularly, and with the *Internal Audit* department, in line with the principles and application criteria of Art. 8 of the Code.

During the year under review, the Board of Statutory Auditors met 13 times, with the presence of all the Statutory Auditors, and recording an average duration of the meetings of approximately 120 minutes. For the 2016, it is expected that at least 15 meetings will be held, of which 7 have already been held.

3.4 Committees within the Board of Directors and other Governance Bodies

At the date of this report, the following internal Board Committees consist of the following: Audit and Risk Committee, Committee for Appointments and Remuneration, Committees with Transactions with Related Parties, Investment Committee and the Committee for Extraordinary Financial Transactions. The Corporate Finance Accounting Reporting Officer, the Internal Auditing Officer and the Supervisory Body, remain in office until approval of the financial statements as at 31 December 2017.

Audit and Risk Committee (reference)

For information on the Internal Audit and Risk Committee, reference may be made to the *Internal Audit* paragraph below.

Committee for Appointments and Remunerations

Since March 2001, the Company's Board of Directors, established its own internal Committee for Remuneration, as required by the third principle of Art. 6 of the Code and relevant application criteria. The Committee in office at the date of this report, appointed at the meeting of the Board of Directors on 16 February 2016, is composed of Paola De Martini Council (Chairperson), Konstantin Yanakov, Nikolay Katorzhnov, Anna Belova and Franco Grimaldi. The current Committee succeeded that elected during the Board meeting of 30 April 2015 which had appointed Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno, no longer holding office following the resignation of the majority of Board Members in December 2015.

The Committee submits proposals to the Board of Directors for the remuneration of the CEO and other Directors with special duties and, in general, recommendations for the remuneration of key management personnel of the Group, assists the Board of Directors in preparing and implementing any remuneration plans based on shares or financial instruments, and evaluates the adequacy and application of the Remuneration Policy. In addition, the Committee makes proposals regarding the appointment of directors, in the event of co-option of upper management of the Company and

other corporate figures. As part of its duties, the Committee may retain external advisors at the Company's expense. The Committee meets when the need arises, upon the request of one or more members. Upon convening and implementation of meetings, the provisions of the Bylaws shall apply, *mutatis mutandis*.

During 2015 and at the date of this report, the Committee for Appointments and Remunerations met seven times: 19 March, 30 April, and 14 September in 2015; 15 January, 16 February, 22 February and 25 March in 2016. The Committee for Appointments and Remunerations examined and approved the annual reports on remuneration, later approved by the Board of Directors and submitted to the Assembly, and the proposed appointment of certain company officers and contracts with the Executive Chairperson and the CEO were discussed and approved, then submitting them to the Board of Directors, as more fully described in the Remuneration Report in 2015. Committee meetings are attended by all the members of the Committee, and the members of the Board of Statutory Auditors. The meetings had an average duration of approximately 30 minutes. The meetings scheduled for 2016 have already been held.

Committee for Transactions with Related Parties

The Committee for Transactions with Related Parties is responsible for the functions required by the CONSOB regulations and by the Regulations for Transactions with Related Parties, adopted by the Company on 12 November 2010 and entered into force on 1 January 2011 (hereinafter, the "RPT Regulations"). The RPT Regulations define the rules, procedures and standards aimed at ensuring the transparency and substantial and procedural fairness of transactions undertaken with related parties carried out by Tiscali. The current Committee, appointed by the Board at its meeting of 16 February 2016, is composed of three non-executive and independent directors, Paola De Martini (Chairperson), Anna Belova and Franco Grimaldi and succeeded the one elected in the meeting of the Board of 30 April 2015 that had appointed Franco Grimaldi (Chairperson), Assunta Brizio and Gabriele Racugno, which no longer held office upon resignation of the majority of the Directors during December 2015. The Committee shall perform the following functions: (i) give its non-binding opinion on the interest of the Company's fulfilment of minor transactions (as defined in the RPT Regulations) and the economic advantages and substantial fairness of the relevant conditions; (ii) in the case of major transactions (as defined in the RPT Regulations), it is also involved in the negotiations and in the investigation phase and then expresses its reasoned binding opinion, subject to special approval procedures, in the interest of the Company upon completion of the transaction in question, and the economic advantage and substantial fairness of the relative conditions.

3.5 Internal Auditing

The Company already formalized the organizational structure of internal auditing since October 2001. On 25 March 2004, following the changes to the Corporate Governance Code for listed companies and the Borsa Italiana S.p.A. suggestions, the Board of Directors updated the organizational structure of the internal auditing system of the Company, after the structure was updated also to take into account the amendments to the Code of Conduct. The internal auditing system is in line with the principles and application criteria contained in Art. 7 of the Code.

Internal auditing system

The internal auditing system is the set of processes designed to monitor the efficiency of company transactions, the reliability of financial reporting and compliance with laws and regulations, as well as the safeguarding of company assets.

The Board of Directors has the top responsibility for the internal auditing system, which sets the guidelines and periodically verifies the adequacy and effectiveness, ensuring that the main business risks are identified and appropriately managed. In addition to a continuous comparison and interchange between the various corporate bodies involved, the Audit and Risk Committee prepares every six months, upon approval of the draft of financial statements and the by-yearly interim report, a special report on the system of corporate governance of the Company and the Group and the activities undertaken during the period, the information issued by the Supervisory Board and the Internal Auditing Manager are annexed to the Committee's report. The Board of Directors examines the aforementioned information and evaluates the governance system jointly with the Internal Audit plans. With reference to the 2015, during the meetings of 19 March 2015 and 25 August 2015 respectively, during approval of the draft financial statements as at 31 December 2014 and the by-yearly report as at 30 June 2015, the Board has deemed the internal auditing system adequate relating to the needs of the Company, to the regulations in force and to the recommendations of the Code, approving the plans for Internal Audit. The Committee has also met, to exercise its functions, on 30 April, 15 May, 10 June, 14 September and 13 November 2015. The Audit and Risk Committee plays a key role in the internal auditing system, for its tasks and operation, the next paragraph may be referenced. Other bodies that are part of the internal auditing system are the Director In-Charge, whose duties were taken over in the new Board of Directors took office last February 16, 2016 by the Chief Executive Officer, the Head of Internal Auditing and Internal Audit department.

The Director In-Charge operationally implements the instructions of the Board of Directors on internal auditing, also proceeding, to the actual identification and management of key business risks, submitting them for the assessment of the Board of Directors. The Director In-Charge proposes to the Board of Directors the appointment of the Chief Internal Auditor and Head of the Internal Auditing Department whose support is used for performance of its functions.

The Chief Internal Auditor is equipped with the resources to carry out his functions and does not report hierarchically to any operational area manager, he reports on his work to the CEO and to the Board of Directors as well as to the Audit and Risk Committee and the Board of Statutory Auditors, at least every three months. The Chief Internal Auditor has operational responsibility for coordinating activities of the Internal Auditing department, because it does not report to any operational manager hierarchically and is in possession of the necessary professional skills to perform pertaining duties in line with the recommendations of the Code. In order to further strengthen the independence requirement, the Chief Internal Auditor, and therefore the Internal Auditing department, hierarchically report to the Chairperson of the Audit and Risk Committee and, from an administrative point of view, these report to the CEO whose powers include the provision of suitable means to the Chief Internal Auditor and the Internal Auditing department. The Audit and Risk Committee, in reviewing the work plan prepared by the Chief Internal Auditor, also assesses the suitability of the means and resources granted supplied to the Chief Internal Auditor and to the Internal Auditing Department. The Board of Directors of 30 April 2015, upon proposal of the Director In-Charge and the opinion of the Audit and Risk Committee, of the Committee for Appointments and Remunerations and the Board of Statutory Auditors, has appointed Carlo Mannoni, Group Executive Director of Regulatory Affairs and member of the Supervisory Board, to the office of Chief Internal Auditor and Head of the Internal Auditing Department. Following the resignation of Carlo Mannoni, during the Board meeting of 14 September 2015, Maurizio Corazzini, Head of Regulatory Affairs division, was appointed to Chief Internal Auditor. On 25 March 2016 the Board of Directors appointed Daniele Renna as new Chief Internal Auditor.

During the period covered by the previous Report, the main activities in the area of internal auditing by the Chief Internal Auditor, the Committee and of the *Internal Audit* department were the following:

- assessment of the Group's governance and the activity conducted by different auditing bodies;
- preparation of monthly reports for the Board of Directors on governance activities;
- evaluation of the activity of the Supervisory Body and updating, dissemination and application of the "Organization, management and control model" pursuant to Legislative Decree 231/2001 of the Group;
- implementation of the auditing plan 2015, in particular with the verification procedures for management of contracting and activation of customers, purchasing of goods and services for the needs of the Company and the collection and recovery of customer accounts receivable;
- preparation of the audit plan 2016;
- verifying the adequacy of administrative and accounting procedures for the preparation of the by-yearly interim report and the 2015 financial statements in order to assess the relative efficacy. This activity is also aimed at the certification pursuant to Article 154 bis of the TUF.

Audit and Risk Committee

The Board of Directors, in line with the recommendations of the Code, has established an Audit and Risk Committee, with advisory and consulting functions, currently comprised of three independent Directors of the Company. The Audit and Risk Committee has consultative and advisory functions with the aim of improving the functionality and the ability for strategic planning of the Board of Directors in relation to the internal auditing system. In particular:

- a) It assists the Board of Directors in setting guidelines for the internal auditing system and periodically verifies the adequacy and correct operation of the same, ensuring that the main business risks are identified and appropriately managed;
- b) evaluates the work plan prepared by the Chief Internal Auditor and receives the periodic reports from the same;
- c) assesses, jointly with the Company's directors and the independent auditors, the adequacy of accounting standards adopted and their consistency for the purpose of preparing the consolidated financial statements;
- d) evaluates proposals submitted by auditing firms to obtain the relative audit engagement, as well as the work plan prepared for the audit and the results described in the report and letter of recommendations, and more generally interacts institutionally with the auditing company;
- e) assesses bids of an advisory nature formulated by the auditing company - or its affiliated companies - to the benefit of Group companies;
- f) assesses bids of an advisory nature to the benefit of Group companies that are for significant amounts;
- g) reports to the Board of Directors at least twice a year, at the time of the annual and half-yearly report on the activities performed and on the adequacy of the internal auditing system;
- h) performs the other duties that may be assigned by the Board of Directors.

Committee meetings are attended by the entire Board of Statutory Auditors, its Chairperson or an Auditor delegated by the Chairperson of the Board of Statutory Auditors. In view of the topics discussed from time to time, the Chairperson of the Audit and Risk Committee may invite to participate in the work other parties, in addition to the CEO, such as the auditing company, the General Manager, Chief Financial Officer and the Corporate Finance Accounting Reporting Officer, etc.

The meetings of the Audit and Risk Committee are held, as a rule, before meetings of the Board of Directors scheduled for approval of quarterly reports, the by-yearly report and the draft annual financial statements, and at least once every six months. The Chairman of the Audit and Risk Committee ensures that members are provided reasonably in advance of the meeting date, the documentation and information necessary to the work, except in cases of necessity and urgency. The work of the Committee is however summarized in written form.

During the course of 2015 the Audit and Risk Committee met seven times: 19 March, 30 April, 15 May, 10 June, 25 August, 14 September, 13 November; in 2016: on 25 March. At all meetings of the Committee were attended by the entire Board of Statutory Auditors, with the exception of one meeting on 13 November 2015 in which one member of the Board of Statutory Auditors was absent with apologies. In agreement with the topics on the agenda, the following attended the meetings: the Chief Internal Auditor, the Supervisory Body and the Corporate Finance Accounting Reporting Officer and the representatives of the auditing company or directors and consultants of the Company. All meetings were regularly convened and minuted and had an average duration of approximately 45 minutes.

4. Internal auditing relative to accounting and financial information

4.1 Introduction

The Internal Auditing System on company information must be understood as a process that by involving several company departments, provides reasonable assurance as to the reliability of financial information, the reliability of financial reporting and compliance with applicable regulations. The meaningful correlation is apparent with the risk management process which consists of the process of identifying and analysing those factors which may affect the achievement of business goals and the main purpose is to determine how these risks can be managed and monitored properly and rendered as harmless as possible. A system of appropriate and effective risk management system can indeed mitigate the adverse effects on business objectives, including the reliability, accuracy, reliability and timeliness of accounting and financial information.

4.2 Key characteristics of current risk management and internal auditing systems in relation to the financial reporting process

A) Phases of the Risk Management and internal audit system in relation to the financial reporting process.

Identification of financial reporting risks

The risk identification activity is conducted primarily through the selection of relevant entities (companies) for the Group and, later, through the analysis of risks that are found along the business processes giving rise to financial reporting.

This activity includes: i) the definition of quantitative criteria in relation to income and asset contributions provided by individual companies in the last financial statements and the selection rules with minimum thresholds. It does not exclude consideration of qualitative factors; ii) identifying key processes combined with material data and information, namely accounting items

for which there is no remote possibility of containing errors with a potential significant impact on financial information.

For each significant account, the most significant "statements" are identified, always according to evaluations based on risk analysis. The financial statements assertions are represented by the existence, completeness, after the event, from the assessment, from rights and obligations and the presentation and disclosure. The risks therefore relate to the possibility that one or more account statements are not properly represented, with a consequent impact on the information itself.

Assessment of financial reporting risks

The risk assessment is carried out both on an overall company level and at the level of specific processes. The first area includes risks of fraud, improper operation of computer systems or other unintentional errors. At the process level, risks related to financial reporting (underestimation, overestimation of items, inaccuracy of information, etc.) should be analysed at the level of the activities within business processes.

Identification of controls for risks identified

Initially, attention is given to company-level controls connected to data / information and related statements, which are identified and evaluated both by monitoring of the reflection at the process level and at a general level. The company-level controls are designed to prevent, detect and mitigate any significant errors, although not operating at the process level.

Assessment of controls for risks identified

The assessment of the control system used is a function of several elements: timing and frequency; adequacy; operational compliance; organizational assessment. The overall control analysis overseeing each risk is defined autonomously as a summary of the assessment process of the adequacy and compliance correlating to said controls. Said analyses summarise considerations on the effectiveness and efficiency of the individual risk monitoring controls and the overall assessment on risk management is split into assessments of existence, adequacy and compliance. Information flows with the results of the activity performed submitted to administrative bodies by the Reporting Officer in support to accounting documents.

B) Roles and departments involved.

The Reporting Officer is in essence at the top of the system that oversees financial reporting and informs company management. At the end of the pursuit of its mission, the Reporting Officer has the power to dictate the organizational guidelines for an appropriate structure as part of its function; the officer also has the means and tools to carry out its activities; and has the ability to collaborate with other organizational units.

A variety of corporate departments contribute to the information of economic and financial nature. Moreover, the Reporting Officer sets up systematic and successful relationships with these

departments. The Reporting Officer is obliged to inform the Board of Auditors if critical issues should emerge of an accounting, equity and financial nature.

The Consolidated Accounts Department serves as an intermediate layer and a link between the Financial Reporting Manager and Administrative Reporters in the Tiscali Group, arranged to collect, test, assemble, monitor the information received by the latter. The Consolidated Accounts Department cooperates with the Reporting Officer with regard to the documentation of accounting processes and their related updating over time. The Administrative Reporters of the Group, gather operational information, check it and guarantee the adequate flow of information concerning transposition of pertaining external regulations from time to time.

A steady flow of information is provided between the three levels described above, through which the Reporters inform the Consolidated Financial Statements Department and the Reporting Manager Officer, on the methods in which management and control activity is carried out for the preparation process of accounting documents and financial information, on any critical issues that emerged during the period and the remedial action to overcome any problems.

It is believed that the model used allows for providing sufficient guarantees for proper accounting and financial information.

5. Organisation, management and control model pursuant to Legislative Decree 231/2001

The company has adopted the "Organization, Management and Control Model pursuant to Legislative Decree 231/2001" for some time (hereinafter, the "Model"); during 2010, the process primarily aimed at adapting the Model to new regulatory changes and the new reality of the Company and the Tiscali Group, the new Model and Code of Ethics, have been approved by the 12 November 2010, Board of Directors. Subsequently, at its meeting on 14 May 2013, the Board approved the new updated Model to recent regulatory changes especially with regard to crimes against Public Administration, individuals, work safety and the environment. The Model also applies to other Group operating subsidiaries, Tiscali Italia SpA and Vevisible Srl, in agreement with their specific characteristics and risk profile.

The Board of Directors of 30 April 2015 appointed the new Supervisory Board, which replaces the previous one expiring with the approval of the 2014 Financial Statements. To ensure independence and effective action of the Body, the same currently consists of two qualified external members to the Company or by one internal member: Atty. Maurizio Piras, external member in the office of Chairperson, Dr Paolo Sottili, head of the Company's HR function, and Atty. Angelo Argento, external member. The Body thus established expires with the approval of the

2017 Financial Statements and, up to said date, also operates for the subsidiaries Tiscali Italia S.p.A. and Vevisible Srl.

6. Governance of Transactions with Related Parties

On 12 November 2010, with a positive opinion of the independent directors, the Company's Board of Directors approved the new Regulations for Transactions with Related Parties (the Regulations) in accordance with Art. 2391-*bis* of the Italian Civil Code and of Consob Regulation no. 17221 of 12 March 2010, available on the Company's website www.tiscali.com under the "Documents / Information Documents" section. The Regulations governing transactions with related parties carried out by Tiscali SpA and its subsidiaries or associates, entered into force on 1 January 2011. In 2015, a significant transaction with related parties was examined, pursuant to the Regulation.

7. Confidential information and market disclosure. *Investor Relations*

An *Investor Relations* department operates in the Company, which is entrusted with the task of establishing a dialogue with shareholders and institutional investors. The *Investor Relations* department, prepares, among other things, the text of press releases and in accordance with the said type of press, oversees, in consultation with the Legal and Corporate Affairs department, the internal approval procedure. In addition, it deals with their publication, also through a network of external companies specialising in such tasks.

Disclosure is ensured not only by press releases, but also through periodic meetings with institutional investors and the financial community, as well as by extensive documentation made available on the website in the section entitled www.tiscali.com *investor relations*. The use of online communication, which mainly benefits the non-institutional public, is considered key by the Company, because it makes possible a homogeneous distribution of information. Tiscali undertakes to systematically oversee to the accuracy, completeness, continuity and updating of financial matters disclosed via the Company's website. You may also contact the company through a specific e-mail address (ir@tiscali.com).

Directors, Statutory Auditors and top management of Tiscali and its subsidiaries are obliged to confidentiality of documents and information acquired in carrying out their tasks. Any dealings between these parties and the press and other mass media, as well as with financial analysts and institutional investors, which involve confidential documents and information concerning Tiscali or the Group, must only occur through the head of investor relations, with the exception of interviews and statements made by the executive Directors.

Management and, in any case, all employees and collaborators are required to maintain the confidentiality of *price sensitive* documents and information acquired as a result, and during the performance of their duties and cannot communicate them to others if not for reasons of function or position, unless such documents or information have already been published in the required forms. The aforementioned parties are prohibited from giving interviews to the press, or making any public statements, which contain information on relevant facts, classified as "confidential" pursuant to Art. 181 of Legislative Decree no. 58/1998, which have not been included in press releases or documents already disclosed to the public, or expressly authorized by the *Investor Relations* department. In accordance to what is stated in Paragraph 2 of Art. 114 of Legislative Decree no. 58/1998, the Company has established procedures for reporting by the various corporate department to the *Investor Relations* department of events deemed *price sensitive*. Implementing Art. 115-bis of Legislative Decree no. 58/1998 on keeping a register of persons with access to inside information, the Company has established a register of persons, at the *Investor Relations* department who, because of their working or professional activity or because of their duties, have access to this type of information. In accordance with the aforementioned legislation, the register managed with information systems, contains: the identity of any person having access to inside information, the reason why any such person is already on the list, the date on which such person was recorded in the register, the date of update of the information relating to that person.