


# Annex 1 - Report on corporate governance and ownership structure

pursuant to article 123-*bis* of the  
Consolidated Finance Act (TUF)



Discovery consists of seeing  
what everybody has seen, and thinking  
what nobody has thought.

*Albert von Szent-Györgyi*

Issuer: EUROTECH SpA  
Website: [www.eurotech.com](http://www.eurotech.com)

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<b>107</b>	<b>Annex 1 - Report on corporate governance and ownership structure pursuant to article 123-bis of the Consolidated Finance Act (TUF)</b>	<b>150</b>	<b>12. Directors' interests and related party transactions</b>
<b>111</b>	<b>1. Issuer Profile</b>	<b>152</b>	<b>13. Appointment of Statutory Auditors</b>
<b>112</b>	<b>2. Information on the Ownership Structure (pursuant to art. 123-bis, paragraph 1, TUF) at the date of 31 December 2012</b>	<b>154</b>	<b>14. Composition and functioning of the board of statutory auditors</b>
113	a) Share capital	<b>157</b>	<b>15. Shareholder Relations</b>
113	b) Restrictions on the transfer of shares	<b>158</b>	<b>16. Shareholders' Meeting and Shareholders' rights</b>
113	c) Significant shareholdings	<b>159</b>	<b>17. Other corporate governance practices</b>
113	d) Shares granting special rights	<b>159</b>	<b>18. Changes since the End of the Reporting Period</b>
113	e) Employee shareholdings: voting mechanism	160	TABLE 1 INFORMATION ON THE OWNERSHIP STRUCTURE
114	f) Restrictions on voting rights		
114	g) Shareholder agreements		
114	h) Change of control clauses and statutory provisions relating to PTOs		
114	i) Delegations of authority to increase the share capital and authorisations for the purchase of treasury shares		
116	l) Management and Co-ordination		
<b>117</b>	<b>3. Compliance</b>		
<b>117</b>	<b>4. Board of directors</b>		
117	4.1. Appointment and replacement of Directors		
120	4.2. Composition		
123	4.3. Role of the Board of Directors		
127	4.4. Delegated bodies		
127	a) Chairman of the Board of Directors		
132	b) Vice Chairman and Executive Director		
135	c) Executive Committee		
135	4.5. Other Executive Directors		
136	4.6. Independent Directors		
137	4.7. Lead Independent Director		
<b>138</b>	<b>5. Handling of corporate information</b>		
138	5.1. Inside information		
139	5.2. Code of Conduct – Internal Dealing		
140	5.3. Register of persons possessing inside information		
<b>140</b>	<b>6. Committees within the Board of Directors</b>		
<b>140</b>	<b>7. Appointments Committee</b>		
<b>140</b>	<b>8. Remuneration Committee</b>		
<b>142</b>	<b>9. Directors' remuneration</b>		
<b>143</b>	<b>10. Control and risks committee</b>		
<b>144</b>	<b>11. Internal control and risk management system</b>		
145	11.1. Executive Director responsible for the internal control system		
145	11.2. Internal Audit Officer		
146	11.3. Organisation model pursuant to Legislative Decree 231/2001		
147	11.4. Independent auditor		
147	11.5. Financial Reporting Manager		
149	11.6. Coordination between the parties involved in the internal control and risk management system		



## GLOSSARY

**Code/Corporate Governance Code:** the Corporate Governance Code for listed companies, approved by the *Corporate Governance* Committee in December 2011 and promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria; available online at [www.borsaitaliana.it](http://www.borsaitaliana.it), under Borsa Italiana - Regulations – *Corporate Governance*".

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

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

**Eurotech, Issuer or Company:** the issuer of listed shares to which the Report refers.

**Financial year:** the financial year to which the Report refers.

**CONSOB Issuer Regulation:** regulations issued by CONSOB with resolution 11971 in 1999 (as subsequently amended), relating to issuers.

**CONSOB Market Regulation:** regulations issued by CONSOB with resolution 16191 in 2007 (as subsequently amended), relating to markets.

**CONSOB Related Party Regulation:** regulations issued by CONSOB with resolution 17221 on 12 March 2010 (as subsequently amended), relating to transactions with related parties.

**Report:** the report on corporate governance and company structure that the companies are obliged to prepare, pursuant to art. 123-bis of the TUF.

**Consolidated Finance Act/TUF:** Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act).

**Stock Market Regulation Instructions:** instructions for the regulation of the markets organised and managed by Borsa Italiana SpA.

**MTA:** the Mercato Telematico Azionario (screen-based equities market) organised and managed by Borsa Italiana SpA.

**Stock Market Regulation:** regulations for the markets organised and managed by Borsa Italiana SpA. (as subsequently amended).

To our Shareholders,

As Chairman of the Board of Directors of Eurotech and on behalf of the Board, pursuant to article 123-*bis* of the TUF, I wish to provide you with the following information on the corporate governance system adopted by the Company in compliance with the principles set out in the Corporate Governance Code.

The following Annual Report will provide you with mandatory information regarding concrete implementation of the Corporate Governance Code for the financial year ended 31 December 2012.

The information and data set out in this document will be updated annually by the Board of Directors, in future reports on compliance with the Corporate Governance Code.

## 1. Issuer Profile

Eurotech is a “global company” based in Italy with operating locations in Europe, North America and Asia. The group is active in the research, development, construction and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). The technological paradigm used by Eurotech is “*Pervasive Computing*”, which combines three key elements: (1) miniaturisation of ‘intelligent’ devices, i.e. devices capable of processing information; (2) their spread in the real world (inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment); and (3) their ability to connect with each other in a network and communicate. NanoPCs and HPCs are the two major classes of devices that, by connecting to and cooperating with each other, form the pervasive computing infrastructure commonly known as the “*Cloud*” or “*Grid*”. Eurotech is most active in the transport, defence, industrial and medical sectors. A common feature of many of our customers is that they are seeking a centre of technological expertise – and they often see in Eurotech a partner for innovating their products and their way of doing business. They want to reduce their *time-to-market* and focus on their core businesses. They often need solutions for harsh operating conditions and for mission critical applications, or supplies assured for long periods. In the HPC sector, Eurotech develops supercomputers aimed at advanced research institutes, computing centres and universities. These supercomputers are proving indispensable in advanced sectors such as nanotechnology, biotechnology and subatomic physics. We also expect to see a significant effect on the medical and industrial fields in the near future.

Eurotech is organised according to the traditional management and control model, with a Shareholders’ Meeting, Board of Directors and Board of Statutory Auditors.

## 2. Information on the Ownership Structure (pursuant to art. 123-bis, paragraph 1, TUF) at the date of 31 December 2012

### a) Share capital

At the date of 31 December 2012, the share capital was € 8,878,946.00, fully subscribed and paid up, divided into 35,515,784 ordinary shares with no nominal value. At the date of this Report, the share capital had not changed.

At the date of this Report, the Company holds 420,140 treasury shares, equivalent to 1.184% of the current share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares).

The shares are indivisible and dematerialised.

The classes of stock comprising the share capital are summarised in Table 1 attached to this Report.

At the date of this Report, there are no share-based incentive plans.

### b) Restrictions on the transfer of shares

There are no restrictions on the transfer of shares, limits on ownership or acceptance clauses of the Issuer or other owners.

### c) Significant shareholdings

At the date of this Report, Shareholders who directly or indirectly hold shares representing more than 2% of the share capital through pyramid structures or cross holdings, according to the communications made pursuant to art. 120 of the TUF, are shown in Table 1 annexed to this Report.

### d) Shares granting special rights

There are no shares which grant special control rights or special powers assigned to the shares.

### e) Employee shareholdings: voting mechanism

No system of employee shareholdings exists.

#### **f) Restrictions on voting rights**

There are no restrictions on voting rights.

#### **g) Shareholder agreements**

To the Issuer's knowledge, at the date of 31 December 2012 there are no shareholder agreements pursuant to art. 122 of the TUF.

#### **h) Change of control clauses and statutory provisions relating to PTOs**

On 19 December 2007, a loan agreement was signed with Unicredit Banca d'Impresa SpA for € 15,000,000. One of the agreement's covenants imposes a limit on "change of control/ownership", obliging the Company to notify the bank of any changes in the legal or ownership structure (e.g. form, capital, Directors, Statutory Auditors and shareholders, mergers (including by incorporation), demergers, disposals and transfers), administration, assets and liabilities or financial position (e.g. bond issues), or change in the operating and technical situation, as indicated in the figures, items and documents provided when the loan was requested, and of any facts that might change the current structure and organisation of the Company in any way. This covenant will be verified annually and certified by the Company. Failure to comply with this covenant will allow the bank to increase the interest spread by 50 bp if it does not exercise its right to terminate the agreement.

The Issuer's subsidiaries have not entered into other significant agreements that take effect, are amended or terminate upon a change of control of the contracting company.

The Issuer's Bylaws do not depart from the passivity rule provisions pursuant to art. 104, paragraphs 1 and 2 of the TUF, and do not require application of the neutralisation rules envisaged in art. 104-bis, paragraphs 2 and 3 of the TUF.

#### **i) Delegations of authority to increase the share capital and authorisations for the purchase of treasury shares**

In 2012 the Board of Directors was not granted powers to increase the share capital, pursuant to article 2443 of the Civil Code, or to issue equity instruments.

The Annual General Meeting of 27 April 2012, in renewing a similar authorisation of 28 April 2011 pursuant to articles 2357 and 2357-ter of the Civil Code, and article 132 of the TUF and the related implementation provisions, resolved:



- (A) to authorise the purchase and sale of treasury shares for the purposes envisaged in market practice relating to the purchase of treasury shares to create a “bank of shares”, permitted by CONSOB pursuant to article 180, paragraph 1, letter c) of the TUF with resolution 16839 of 19 March 2009, in accordance with the operating conditions established for the aforementioned market practice and by EC Regulation 2273/2003 of 22 December 2003 where applicable, and therefore:
1. to authorise, pursuant to article 2357 of the Civil Code, the purchase, in one or more tranches, during a period of 18 months from the date of approval by the Ordinary Shareholders’ Meeting, of ordinary Eurotech shares up to a maximum number that, taking into account the ordinary Eurotech shares held at any time by the Company and its subsidiaries, does not in total exceed the upper limit set out under applicable laws in force, at a price no higher than the highest price between the last independent transaction and the price of the highest current independent offer at the trading venues where the purchase is made, provided that the unit price is no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding each purchase transaction; in cases where purchases are carried out through public purchase or exchange offers, the unit price can be no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding the public announcement;
  2. to authorise the Board of Directors to identify the amount of shares to be purchased in respect of each of the aforementioned purposes prior to the opening of each individual purchase programme and to purchase shares under the conditions and for the purposes mentioned above, conferring the broadest possible powers to carry out share purchase transactions pursuant to this resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, at the pace deemed most advantageous for the Company, in compliance with the legislation in force and using the methods set out in art. 144-bis, paragraph 1, letters a) and b) of the CONSOB Issuer Regulation, as subsequently amended.
  3. to authorise the Board of Directors to sell, pursuant to article 2357-ter of the Civil Code, in one or more tranches, treasury shares purchased on the basis of this resolution or in the Company portfolio at any time, by selling these shares on- or off-market, potentially also by selling real and/or personal rights, including but not limited to securities lending, in compliance with the legal and regulatory provisions currently in force and for the purposes set out in this resolution, using the terms, methods and conditions of disposal of the treasury shares deemed most advantageous for the Company, conferring the broadest possible powers to carry out share transactions pursuant to this resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, provided that (a) disposals carried out as part of extraordinary transactions, including equity exchanges with other parties, may take place at the price or value that is congruous and in keeping with the transaction, according to the characteristics and nature of the transaction and also taking account of market performance; and that (b) the placing of treasury shares at the disposal of distribution programmes, for a consideration or free of charge, of options on shares or shares to Directors, employees and consultants of the Company or its subsidiaries, as well as programmes to assign free shares to shareholders, may take place at a price established by the competent corporate bodies as part of these programmes, and considering the market performance and applicable legislation, including tax law, i.e., free of charge if so stated in these programmes; all the foregoing must be carried out in compliance with the terms and methods, also operational, established under the applicable provisions of CONSOB resolution 16839 of 19 March 2009 and EC Regulation

2273/2003 of 22 December 2003 where applicable. The authorisation relating to this point is granted without time limits;

- (B) to ensure, in accordance with the law, that the purchases covered by this authorisation do not exceed the limits of distributable earnings and available reserves as recorded in the most recent annual report (also interim) approved at the time the transaction is carried out, and that, at the time of the purchase and sale of treasury shares, the necessary accounting information has been recorded, in compliance with the applicable laws and accounting standards.

At the date of this Report, the Company owns 420,140 treasury shares, equivalent to 1.184% of the share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares). The value of these shares is recorded in the financial statements at € 1,045,350.33.

## I) Management and Co-ordination

Eurotech is not subject to management and coordination pursuant to article 2497 et seq. of the Civil Code.

For further information pursuant to article 123-*bis* of the TUF, notice is hereby given that:

- information required by article 123-*bis*, paragraph 1, letter i) relating to agreements between the Company and the Directors that provide for compensation in the event of resignation or dismissal without just cause or in the event that the employment relationship ends due to a public purchase offer, is provided in Section 9 of the Report and in the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available in accordance with legal requirements, on the Company's website [www.eurotech.com](http://www.eurotech.com) in the "Investors" section;
- information required by article 123-*bis*, paragraph 1, letter l) relating to the appointment and replacement of Directors and amendments to the Company Bylaws, where these differ from the applicable laws and regulations as supplemented, is provided in Section 4.1 of the Report;
- information required by article 123-*bis*, paragraph 2, letter b) relating to the main features of the risk management and internal control systems is provided in Sections 10 and 11 of the Report;
- information required by article 123-*bis*, paragraph 2, letter c) relating to information on the operational mechanisms of the Shareholders' Meeting, its main powers, shareholder rights and how these are exercised, is provided in Section 16 of the Report;
- information required by article 123-*bis*, paragraph 2, letter d) relating to information on the composition and functioning of the management and supervisory bodies and their committees is provided in Sections 4, 6, 7, 8, 10, 13 and 14 of the Report.

### 3. Compliance

Eurotech has adopted the principles contained in the Corporate Governance Code, which is available on the website of Borsa Italiana at [www.borsaitaliana.it](http://www.borsaitaliana.it).

Eurotech SpA and its subsidiaries are not subject to non-Italian legal provisions that influence the Company's corporate governance structure.

The Company will assess the adjustments required by the revision of the Code approved in December 2011, taking into account the transitional rule contained therein.

### 4. Board of Directors

#### 4.1. Appointment and replacement of Directors

Pursuant to Article 14 of the Bylaws, the Board of Directors has no less than five and no more than eleven members. The Ordinary Shareholders' Meeting determines their number at the time of appointment. If the number of Directors has been set at a level lower than the maximum limit, the Shareholders' Meeting may increase this number during the Board's term. Directors must satisfy the requirements envisaged by law and other applicable measures, and a minimum number of Directors, corresponding to the legal minimum, must satisfy the independence requirements envisaged in article 148, paragraph 3 of the TUF. With reference to the rules on the balance between genders in the composition of management bodies pursuant to art. 147-ter, paragraph 1-ter of the TUF, as introduced by Law 120/2011, and the implementation provisions of CONSOB, the Board adapted the Bylaws to the aforesaid regulations pursuant to articles 2365, paragraph 2 of the Civil Code, and 19, paragraph 1, of the Bylaws at the 15 March 2013 meeting.

Note that, since it is listed on the STAR Segment of the MTA, the Issuer is obliged to have a sufficient number of Independent Directors on its Board of Directors in order to continue to qualify, and therefore to fulfil the criteria established by article IA.2.10.6 of the Stock Market Regulation, which make provision for: at least two Independent Directors for Boards of Directors with fewer than eight members; at least three Independent Directors for Boards of Directors with nine to 14 members; and at least four Independent Directors for Boards of Directors with more than 14 members.

The Directors serve for a term of three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected at the end of their mandate.

Article 14 of the Company bylaws in force stipulates a list voting system for the appointment of Directors. The lists must be presented by shareholders following the procedures specified below, in which the candidates are listed in numerical order.

The lists that are submitted and signed by the shareholders must be lodged with the registered office of the Company and made available to anyone who requests them, at least 25 days before the single call of the Shareholders' Meeting, and will be subject to other forms of notice and filing methods in accordance with the laws in force. In particular, at least 21 days before the date of such meeting the lists are made available to the public at the registered headquarters, on the Company's website and in any other manner set out in the CONSOB Regulation.

Shareholders, including those party to shareholders' agreements pursuant to article 122 of the TUF, the Parent Company, subsidiaries, and companies subject to joint control pursuant to article 93 of the TUF, must not, directly, or through an intermediary or a trust company, submit more than one list or participate in the preparation of more than one list, and must not vote for different lists. Candidates are restricted to one list only, on penalty of disqualification. Acceptances and votes cast in breach of this rule will not be assigned to any list.

Only those shareholders who, either alone or together with other shareholders submitting lists, own a total of voting shares that represent at least 2.5% of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage established by legal and regulatory provisions, may submit lists. With resolution 18452 of 30.01.13, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's Board of Directors at 4.5% of the share capital, for the year ended 31.12.12.

Each list must be filed by the above deadlines, together with the following documentation:

- (i) statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no grounds for their ineligibility or incompatibility, and that they satisfy the requirements for the respective positions;
- (ii) *curricula vitae* setting out the personal details and professional qualifications of each candidate, indicating any reasons why the candidate qualifies as independent.

The lists containing a number of candidates equal to or greater than three must be formed by candidates belonging to both genders so that at least one-fifth belong to the less represented gender (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) of the candidates.

Proof of ownership of the equity interest required for submission of the list, declared according to the terms and methods provided for in the laws and regulations currently in force.

Lists not submitted according to the above rules shall be considered null and void.

The Board of Directors shall be elected as follows:

- a) all Directors to be elected but one shall be taken from the list receiving the highest number of votes, and they shall be elected in the numerical order of listing;
- b) the remaining Director is taken from the minority list with no direct or indirect links with the shareholders submitting or voting for the list described in point a) above and receiving the second highest number of votes. If the minority list referred to in point b) does not receive a percentage of

votes that is at least equal to one half of those required for submitting the lists, pursuant to article 14.3 of the bylaws, all the Directors to be elected shall be taken from the list referred to in point a).

If the candidates elected using the methods described above do not ensure the appointment of the minimum number of Directors fulfilling the independence requirements established for Statutory Auditors by article 148, paragraph 3 of the TUF prescribed by law in relation to the total number of Directors, the non-independent candidate elected last in numerical order on the list receiving the greatest number of votes, pursuant to point a) above, will be replaced by the first independent unelected candidate in numerical order on the same list, or, failing this, by the first independent unelected candidate in numerical order on the other lists, according to the number of votes obtained by each list. This procedure shall be applied until the Board of Directors comprises a number of members that complies with the requirements set out in article 148, paragraph 3 of the TUF, equal to at least the minimum prescribed by law. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by shareholders' resolution passed with a relative majority, following the submission of candidates satisfying the aforementioned requirements.

Moreover, if the election of candidates according to the aforementioned procedures does not ensure that the composition of the Board of Directors complies with the requirements in force concerning balance between genders, the candidate of the more represented gender elected last in progressive order on the list that won the highest number of votes shall be replaced by the first candidate of the less represented gender not elected on the same list in progressive order. This replacement procedure shall be followed until it is ensured that the composition of the Board of Directors complies with the regulations in force on balance between genders. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by Shareholders' resolution passed with a relative majority, following the submission of candidates belonging to the less represented gender.

If a single list is submitted or if no list is submitted, the Shareholders' Meeting passes a resolution by legal majority, without complying with the procedure described above, compliance with the balance between genders regulations in force being understood.

If one or more Directors' positions become vacant during the year, and providing that the majority of the remaining Directors were elected by the Shareholders' Meeting, the following provisions of article 2386 of the Civil Code apply:

- a) the Board of Directors shall fill the vacant positions with individuals on the list from which the departing Director was elected, and the Shareholders' Meeting shall pass a resolution with a legal majority, in compliance with the same criterion;
- b) if the aforementioned list does not contain any more candidates who have not been previously elected or candidates satisfying the envisaged prerequisites, or if it is not possible for any reason to comply with the provisions of point a) above, the Board of Directors shall fill the vacancy as the Shareholders' Meeting shall subsequently decide, by legal majority without a voting list. In any event, the Board of Directors and the Shareholders' Meeting shall appoint replacements in order to ensure the presence of as many Independent Directors as necessary to comply with regulations currently in force and observance of the balance between genders regulations in force. If the majority of Directors appointed

by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.

If one or more Directors' positions are vacated during the year, the provisions of law shall apply to their replacement if the Shareholders' Meeting does not resolve to reduce the number of Directors set in accordance with the aforementioned procedures. If the majority of Directors appointed by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.

In accordance with the provisions of article 14.2 of the Company bylaws, the current Directors satisfy the applicable regulations or legislation.

During the year the Board of Directors will assess the possible adoption of a plan for the succession of the Executive Directors.

#### **Amendments to the Company bylaws**

Amendments to the Company bylaws must be made by resolution of the Extraordinary Shareholders' Meeting through a legal majority vote.

Pursuant to article 19 of the Bylaws, the Board of Directors is responsible for passing resolutions on the following matters, in compliance with article 2436 of the Civil Code: (i) simplified mergers and demergers, pursuant to articles 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Civil Code; (ii) relocation of the Company's registered office within Italy; (iii) capital reductions in the event of redemption; and (iv) updating the Company bylaws to comply with regulatory provisions, without prejudice to the fact that these resolutions may also be adopted by the Extraordinary Shareholders' Meeting.

#### **4.2. Composition**

The Issuer's Board of Directors in office at the date of this Report is composed of nine members appointed by the Ordinary Shareholders' Meeting held on 28 April 2011, based on the sole majority list presented by the shareholder Roberto Siagri according to the bylaws in force, which obtained 6,673,471 favourable votes, equal to 99.308% of the voting capital. The Board of Directors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013.

For more information about the lists filed for the appointment of the management body, please refer to the Company's website at [www.eurotech.com](http://www.eurotech.com) in the Investors section, where the *curricula vitae* of the Directors are also made available.

Table 2 attached to this Report lists the members of the Board of Directors in post at the date of this Report, and provides information on the position held and the date this position was assumed; it also indicates whether the Director is non-executive or independent, the Director's percentage attendance of Board meetings and the number of director/auditor positions held by each Director in other companies listed on regulated markets (including abroad), in financial companies, banks, insurance companies or large companies.

### Maximum number of positions allowed in other companies

All members of the Board of Directors are required to take decisions in an informed, independent manner with the aim of creating value for shareholders, and are committed to dedicating the time necessary to discharge their functions diligently. Accordingly, each candidate for a Director's position shall first determine whether he/she can discharge the assigned duties with due care and effectiveness when accepting a position at the Company, particularly in view of the number of director/statutory auditor positions held at other companies listed on regulated markets in and outside Italy, in financial companies, banks, insurance companies, or large companies, and the overall commitment required by these other positions. Each member of the Board of Directors must also inform the Board of Directors if he/she has accepted positions as director or statutory auditor in such companies, so that full disclosure thereof may be provided in the annual report on operations.

The Board of Directors does not deem it necessary to impose preset limits on numbers of positions held by Eurotech Directors in the management and supervisory bodies of other companies. It is understood, however, that it is the duty of each Director to assess whether director/auditor positions held in other companies listed on regulated markets, financial, banking, insurance or large-scale companies is compatible with diligent performance of the tasks assumed as a Director of Eurotech. At its meeting of 7 March 2013, the Board, after reviewing the positions currently held by board members in other companies, decided that the number and nature of these positions do not interfere and are compatible with the effective performance of their roles as Directors of the Issuer.

With regard to the positions held by Eurotech Directors (including Directors whose mandates expired during the year) in other listed companies and in financial, banking, insurance or large-scale companies, the following table shows the main activities carried out by members of the Board of Directors outside the company, in accordance with application criterion 1.C.2. of the Corporate Governance Code:

### Induction Programme

The characteristics of board reporting enable the Directors to obtain adequate knowledge of the field of activity in which the Issuer operates, its dynamics and their evolutions, as well as the relevant regulatory framework.

### 4.3. Role of the Board of Directors

The Board of Directors plays a key role in the Company organisation. It develops and is responsible for strategic and organisational policies, and verifies the existence of the controls necessary for monitoring performance of the Company and the companies of the Eurotech Group.

The Board of Directors is vested with full authority for Company management and may accordingly resolve or carry out all those acts deemed necessary or useful for implementation of the corporate purpose, with the exception of what is reserved by law or the Company bylaws for the Shareholders' Meeting.

The Board of Directors is also responsible for resolving on the following matters, in compliance with Section 2436 of the Civil Code:

- (i) simplified mergers and demergers, pursuant to articles 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Civil Code;
- (ii) establishment or closure of branch locations;
- (iii) relocation of the registered office within Italy;
- (iv) indicating which Directors have been made legal representatives;
- (v) reducing the share capital following redemption;
- (vi) amending the Company bylaws in line with regulatory provisions;

without prejudice to the fact that these resolutions may also be taken by the Extraordinary Shareholders' Meeting.

On 13 May 2011, the Company's Board of Directors assumed exclusive responsibility for the following matters, in addition to the resolutions indicated above and without prejudice to matters that cannot be delegated by law:

- (i) examining and approving the strategic, business and financial plans of the Company and the corporate structure of the group that it heads; specifically, this includes examination and approval of the business plan and annual investment budget, as well as additions and/or changes to the same documents in an amount exceeding 20% of what was originally envisaged;
- (ii) monitoring general operating performance; while carrying out this function, the Board of Directors carefully assesses potential conflicts of interest, considers the information received from the Chief Executive Officers and periodically compares the results achieved with budget targets;
- (iii) monitoring the adequacy of the general organisational and administrative structure of the Company and Group put in place by the Chief Executive Officers;
- (iv) approval and amendment of the basic organisational structure of the Company and Group;
- (v) programmes and proposals for new investments for amounts exceeding:
  - € 500,000.00 (five hundred thousand/00) for each investment in stationary plants;
  - € 1,000,000.00 (one million and no/100) for each multi-year investment in research and development.
- (vi) sale and purchase of know-how;
- (vii) examining and approving transactions having a specific impact on operating results, equity and the financial position pursuant to the CONSOB regulations governing listed companies;
- (viii) purchase and sale of equity investments, mergers, transformations, demergers and/or transfers of holdings and business units. An equity investment for operating needs in consortia or consortium companies not fall within the aforesaid requirement. Increases in capital of companies already held that involve an investment of less than € 100,000 (one hundred thousand) and that do not involve increasing the share held are excluded;
- (ix) capital transactions, transformation, listing on the stock market, merger, spin-off, liquidation, execution of shareholders' agreements regarding direct subsidiaries;
- (x) hiring, appointment or dismissal of executives and determining their wages;
- (xi) purchasing or selling property assets;
- (xii) entering into receivable and payable loan agreements even with subsidiaries, affiliates and other companies over the medium and long term and assuming lines of credit with any technical form of use for amounts exceeding € 3,000,000.00 (three million/00) for each transaction;
- (xiii) issuing fidejussory bonds and/or secured guarantees for third parties for amounts exceeding € 3,000,000.00 (three million/00) for each transaction.



During the year the Board, in line with the recommendations of the Code:

- examined and approved the strategic, business and financial plans of the Issuer and the Group that the Issuer heads;
- examined and approved the corporate governance system of the Issuer and the structure of the Group that the Issuer heads, drafting and adopting the Company's corporate governance rules and the Group's governance guidelines;
- assessed, on at least an annual basis, the adequacy of the organisational, administrative and general accounting structure of the Issuer and the strategically important subsidiaries put in place by the Chief Executive Officer, with a particular focus on the internal control system and the management of risks according to the procedures adopted by the Issuer in this regard. In carrying out this activity the Board received, according to individual cases, the support of the Internal Control and Risks Committee, the Internal Audit Officer and the Financial Reporting Manager, and made use of procedures and audits, including those set out in Italian Law 262/2005. During its meeting of 7 March 2013, the Board, on the basis of the calculations of the Internal Control Committee, assessed the Company's organisational, administrative and general accounting structure and expressed a positive opinion on the internal control system and, more generally, on the corporate governance system of the Company and the Group that the Issuer heads. after examining the proposals of the Remuneration Committee and consulting the Board of Statutory Auditors, determined the compensation of the Chief Executive Officers and other Directors holding specific positions, and subdivided the total remuneration for individual Directors, where the Shareholders' Meeting had not done so;
- evaluated, on at least a quarterly basis, overall operation performance, taking into account, in particular, the information received by the delegated bodies, and comparing the results achieved with projections on a regular basis;
- examined and approved in advance, in accordance with current regulations [and internal procedures of the Company that also establish the criteria for identification of the reserve under the responsibility of the Issuer's Board]: (i) transactions of the Issuer and its subsidiaries with strategic, business, asset or financial importance for the Issuer; (ii) transactions in which one or more Directors have an interest on their own behalf or on behalf of third parties, and (iii) more generally, related party transactions; for more information on the management of conflicts of interest and related party transactions of the Issuer, see Section 12 below.

The Shareholders' Meeting has not authorised any exemptions from the provisions relating to competitors laid down in article 2390 of the Civil Code.

Pursuant to article 17 of the Company bylaws, a majority of current Directors must be in attendance for resolutions to be valid. Resolutions are passed by a majority of the voting members, with the abstaining members not being included in the calculation.

Pursuant to article 19.2 of the Company bylaws, the Board of Directors – within the limits imposed by law or the bylaws – may delegate its own authority and powers to the Executive Committee and may also appoint one or more Chief Executive Officers to whom to delegate authority and powers.

The same article envisages that the Executive Committee, the Chief Executive Officer or the Chief Executive Officers if appointed, must adequately and promptly report to the Board of Directors and the Board of Statutory Auditors at least once every quarter on the exercise of the delegated authority and activities performed, the general operating performance and business outlook, and the most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries.

Pursuant to article 21 of the Company bylaws, the Board of Directors may appoint an Executive Committee, setting its term and number of members in advance. The Chairman and Vice Chairman or Vice Chairmen (if more than one and if appointed) are ex-officio members of the Committee.

Pursuant to Article 22 of the Bylaws, the terms and conditions for calling and operating the Executive Committee, without prejudice to the provisions of applicable laws or regulations or the Bylaws – are defined by the specific Regulation approved by the Board of Directors.

### **Board meetings**

Board meetings are chaired by the Chairman or, if he/she is absent or prevented from attending, by the sole Vice Chairman or, if there are several Vice Chairmen, the one with the greatest seniority in that position who is in attendance and, if they have the same seniority, the oldest in age. The Chairman – or the person acting for him/her in the cases set out above – calls the Board meetings, sets their agenda and moderates their proceedings, ensuring that the Directors are promptly provided with the necessary documents and information pursuant to article 16 of the Company bylaws. The Chairman also chairs the Shareholders' Meeting, performing the roles and functions set out in article 10.2 of the Company bylaws.

The Board of Directors meets regularly, and whenever the Chairman deems necessary, or when it is requested by the Chief Executive Officer or at least three board members. Board meetings may also be called by two Statutory Auditors, upon notification to the Chairman of the Board of Statutory Auditors.

The Board of Directors held 7 (seven) meetings during the year, on: 2 and 15 March, 2 April, 15 May, 29 August, 14 November and 12 December 2012

The meetings were duly minuted.

The Board meetings lasted for 1 hour and 25 minutes on average.

The members of the Board of Directors and the Board of Statutory Auditors regularly attended these meetings.

At least 6 (six) Board of Directors meetings are planned for the current year, according to the calendar of Board meetings (four dates of which have already been communicated to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions). In addition to the meetings held on 1 February, 7 March and 15 March 2013 to approve the draft financial statements and the consolidated financial statements of the Group, the Board of Directors is scheduled to meet on the following dates:

- 13 May (approval of the first-quarter results to 31 March 2013);
- 29 August (approval of the first-half results to 30 June 2013);
- 13 November (approval of the third-quarter results to 30 September 2013);

The financial calendar is available in Italian and English in the Investors section of the Company website at [www.eurotech.com](http://www.eurotech.com).

Pursuant to art. 16, paragraph 3 of the Bylaws, the Chairman of the Board coordinates the work of the Board of Directors and ensures that adequate information on the agenda of the meeting is given to all

Directors. In particular, this information is always given in such a way as to allow the Board members to express an informed opinion on the matters submitted for examination by providing them documentation and information relating to the document drafts submitted for approval sufficiently in advance, with the sole exception being cases of particular and proven urgency.

Timeliness and completeness of the pre-meeting information is guaranteed by sending documentation at least three days before the date of the Board meeting. This term was normally observed.

Board meetings may also be attended by managers of the Issuer and the Group that is now at the head in order to provide additional information on the items on the agenda.

#### 4.4. Delegated bodies

##### **a) Chairman of the Board of Directors**

Pursuant to article 25 of the Company bylaws, the Chairman is the legal representative of the Company and has power of signature for it. If the Chairman is absent or prevented from attending, these powers are exercised by the Vice Chairman or Vice Chairmen, according to the provisions of the bylaws. The Chief Executive Officer(s), if appointed, is/are also legal representatives of the Company, within the limits of the delegated authority.

The Board meeting held on 13.05.11 granted Roberto Siagri, Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

##### **Legal representative:**

- representation of the Company before any third party;
- representation of the Company, either actively or passively, before the administrative and financial civil and penal authorities, at every order and level of jurisdiction, including for judgements of revision and appeal, appointing and terminating as necessary lawyers, attorneys and experts, filing complaints and making applications to take part in proceedings as a civil party. Settling and reconciling judgements and withdrawing from proceedings; submitting disputes for arbitration and carrying out all formalities related to arbitration judgments;
- filing of all reports or declarations that the Company must submit pursuant to law;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred;
- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, ministry or state entity, signing petitions and appeals, requesting and collecting refunds;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations.

**Administrative and tax representative:**

- signing and submitting petitions, appeals, objections and reservations against tax assessments, arranging and defining practice in all tax matters, requesting and collecting refunds;
- participate in inspections by the tax police and all other authorities, signing the relevant reports;
- filing of all reports or declarations that the Company must submit pursuant to law;
- request any authority with jurisdiction for administrative and public safety licenses, particularly trade licenses, including registration thereof in his own name as the Company's legal representative in force.

**Representative to CONSOB and Borsa Italiana SpA**

- represent the Company before Consob and at the market management companies, including in any proceedings that might have been filed with them, with the authority to draft notices and/or any other document pursuant to law and regulations;
- filing of all reports or declarations that the Company must submit pursuant to law.

**Trademarks and patents:**

- deposit, abandon, limit and expand patents for inventions of ornamental, utility and industrial models, for factory and trade marks in Italy and at the international level, protect them in administrative venues, carrying out all acts as necessary pursuant to current law, appointing correspondents for this purpose and granting them authority as necessary;
- represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

**Representation in associated companies:**

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;
- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

**Employees:**

- recruitment, suspension and termination of employees, with the exception of executives, executing the relevant agreements, defining remuneration, duties and any bonds, and satisfying all relevant obligations consequent upon administration of employment relationships;
- execution, amendment and termination of agreements with external consultants and freelance employees;
- represent the Company before trade unions, with the power to settle disputes;
- represent the company before all authorities, entities and institutes in regard to labour matters;
- representation of the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations.

**Contracts of sale and exchange:**

- participation in tenders held by state agencies and public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, granting authority for signing the contracts for each individual tender or bid for amounts up to € 5,000,000.00 (five million/00);
- execution and approval of all documents and agreements relating to the transfer of goods and provision of services, with the exception of capital assets, connected with the Company's activity, for a value of up to € 5,000,000.00 (five million/00) and/or with a duration of three years or more;
- examination, amendment, approval and cancellation of contracts of sale and exchange, including those that envisage the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to Euro 5,000,000.00 (five million/00).

**Agency agreements:**

- examination, amendment, approval and cancellation of agency, commercial licensing or sub-licensing, commission and bailment agreements.

**Company management agreements:**

- examination, amendment, approval, execution and termination of programmes and proposals for new investments for amounts up to:
  - € 500,000 (five hundred thousand/00) for each investment in stationary plants;
  - € 1,000,000 (one million/00) for each multi-year investment in research and development.
- examination, amendment, approval, execution and termination of any document and agreement necessary for management of the Company whose individual value is less than € 1,500,000/00 and whose duration is less than three years;
- examination, amendment, approval, execution and termination of partnership agreements with universities and research institutes and joint venture agreements, except, in the latter case, where the Board of Directors is exclusively responsible for transactions with a specific impact on the operating results, equity and financial position pursuant to CONSOB regulations for listed companies;
- examination, amendment, approval, execution and termination of lease agreements, including finance leases and commercial leases and subleases for the use of goods in the amount of up to € 500,000.00 and with a duration of up to nine years;
- requesting all forms of new loans and credit lines from banks, amending, approving and cancelling loans in euro and/or foreign currency, with the power to sign the related documentation for amounts of up to € 3,000,000.00 for each loan and/or credit line, with a total annual limit of € 5,000,000.00, excluding financial transactions in countries on the black list kept by the Ministry of Economic Affairs;
- execute all transactions with factoring companies, including the execution of agreements, sale of receivables and/or acceptance of sales by suppliers, the establishment of guarantees, collection orders, discounting and whatever else connected with factoring relationships;
- examination, amendment, approval and cancellation of supply contracts in general, including service agreements, work agreements and similar provision of goods and all relevant and consequent acts for an amount equal to or less than € 1,500,000.00 per single agreement, other than the sale of goods, provision of services and participation in tenders as described in the previous two points;

- definition of guidelines for cash pooling operations, such as, but not limited to, opening and closing of deposit accounts, swaps, negotiation of interest rates, the commencement and termination of operating mandates and, in general, all similar transactions;
- subscription of increases in capital of subsidiaries, affiliates and other companies already held that involve an investment of less than € 100,000 (one hundred thousand) and that do not involve increasing the share held are excluded.

**Vehicles:**

- represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company owned vehicles to employees or third parties.
- the purchase, sale and exchange, up to a limit of € 100,000/00, of any land transport vehicle, executing the related formalities with the competent public automotive registers, including the arrangement and cancellation of mortgages.

**Financial transactions and relations with banks:**

- within the limits of the granted credit lines, execution of any debit or credit transaction on the Company's current accounts at banks and post offices in Italy and abroad, excluding countries on the black list published by the Ministry of Economic Affairs; issuing, endorsing and collecting bank cheques and having issued, endorsing and collecting banker's drafts;
- issue, receipt and endorse bills of exchange; have issued, accept and endorse merchandise notes;
- execution or release of security deposits in cash or securities;
- depositing public or private securities with banks, in custodian, trust or pledge accounts; withdrawing them by issuing a receipt in release thereof;
- rental and cancellation of the rental of safe deposit boxes, with the power to open them and remove their contents;
- issuing bills of exchange and endorsements only to suppliers and for legal transactions, accepting bills only from suppliers and only if issued on legally compliant orders.

**Administrative matters:**

- collection of postal and telegraph money orders and issuance of the related receipts;
- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;
- giving and accepting security deposits;
- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary.

**Endorsement and collection of negotiable instruments**

- negotiate, sign and collect bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;
- endorsement of bills, cheques and all other negotiable instruments for collection;
- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary.

**Correspondence and other documents:**

- signing all company correspondence;
- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them.

**Collection of receivables:**

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;
- issuance of bills to customers and other debtors;
- serving notices of placement in default and having bank protests issued;
- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures.

**Special mandates:**

- within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of actions in the name and on behalf of the Company, using the power of Company signature to do so and revoking these mandates as necessary;
- even if not expressly specified here, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions except for those specified, with the foregoing list of powers having to be considered examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

**Specific activities:**

- Execution, amendment and termination of agreements for the purchase of spaces and/or systems for advertising services and advertising, promotion and experimentation materials; agreements for the Company's advertising activity and market research.
- perform all supervisory duties and implement statutory and regulatory provisions pertaining to listed companies and established by competent authorities;
- Perform any activity deemed necessary for attending to relations with investors, the national and international press, and the market;
- overseeing the organisation of communication programmes, participating in events and fairs and whatever else is considered useful for the purpose of promoting the image of the Company.

In addition to the powers listed above, which are representative and not exhaustive, all the operating powers of the Board of Directors, with the exception of those that cannot be legally delegated or those for

which the Board of Directors has exclusive responsibility, and those assigned to the Company's Executive Committee, with the power of legal representation and free power of signature.

The Board believes that the assignment of management powers to the Chairman meets appreciable organisational needs of the Issuer which lie in streamlining the running of the Board of Directors of the Company, also taking its size into account. In the presence of this situation, it should be noted that the Company appointed the Director Cesare Pizzul as *Lead Independent Director* pursuant to the Code. For more information about the figure of *Lead Independent Director*, please refer to section 4.7.

#### **b) Vice Chairman and Executive Director**

The Board meeting held on 13.05.11 granted Giampietro Tecchioli, Vice Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

##### **Legal representative:**

- representation of the Company before any third party;
- represent the company before any Italian or foreign judicial or administrative authority, at any level of jurisdiction, in disputes of any nature and vis-à-vis anyone;
- deciding on and pursuing actions in any judicial, civil, criminal and administrative venue, at any level of jurisdiction, whether as a plaintiff or as a defendant;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred.

##### **Shareholders' Meetings:**

- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, Ministry or State Entity, signing petitions and appeals, requesting and collecting refunds;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations.

##### **Trademarks and patents:**

- depositing, abandoning, limiting and expanding invention patents for ornamental, utility and industrial models for factory and commercial trademarks in Italy and internationally, protecting them in administrative venues, carrying out all necessary acts pursuant to the laws in force, appointing correspondents for this purpose and granting them all necessary powers;
- represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.



**Representation in associated companies:**

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;
- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

**Employees:**

- represent the Company before trade unions, with the power to settle disputes;
- represent the company before all authorities, entities and institutes in regard to labour matters;
- representation of the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations.

**Contracts of sale and exchange:**

- participation in tenders held by state agencies, public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, granting authority for signing the contracts for each individual tender or bid for an amount up to €2,000,000.00 (two million/00);
- execution of all documents and agreements relating to the sale of goods, with the exclusion of capital goods, and the provision of services related to the Company's activity whose value is less than € 1,000,000.00 and whose duration is less than three years;
- examination, amendment, approval and cancellation of contracts of sale and exchange, including those providing for the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to €1,000,000.00;
- execute, amend and terminate agency agreements, commercial licensing or sub-licensing agreements, commission agreements and bailment agreements when the value of each individual agreement is less than Euro 50,000.00.

**Company management agreements:**

- execute all documents and agreements necessary for management of the company whose individual value is less than € 250,000.00 and for a term of less than three years;
- execution and termination of partnership agreements with universities and research institutes.

**Vehicles:**

- represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company owned vehicles to employees or third parties;
- purchase, sell and exchange all land transport vehicles, with a limit of € 50,000.00.

**Financial transactions and relations with banks:**

- issuing, receiving and endorsing bills of exchange; having issued, accepting and endorsing merchandise notes.

**Administrative matters:**

- collection of postal and telegraph money orders and issuance of the related receipts;
- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;
- giving and accepting security deposits;
- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary.

**Endorsement and collection of negotiable instruments**

- negotiate, sign and collect bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;
- endorsement of bills, cheques and all other negotiable instruments for collection;
- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary.

**Correspondence and other documents:**

- signing all Company correspondence;
- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them.

**Collection of receivables:**

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;
- issuance of bills to customers and other debtors;
- serving notices of placement in default and having bank protests issued;
- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures.

**Special mandates:**

- within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of actions

in the name and on behalf of the Company, using the power of Company signature to do so and revoking these mandates as necessary;

- even if not expressly specified here, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions except for those specified, with the foregoing list of powers having to be considered examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

#### **Specific activities:**

- within the scope of the strategic guidelines issued by the Board of Directors, the coordination of Company research and development, specifically:
  - take those initiatives as necessary to realise corporate and group research and development programmes;
  - take all measures as necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel;
- coordinating Group research and development activities, reporting on these to the Executive Committee once a month;
- chairing and coordinating the activities of the Scientific Committee;
- within the scope of the strategic guidelines issued by the Board of Directors, co-ordinate Company research and development, and in particular:
  - take those initiatives as necessary to realise corporate and group research and development programmes;
  - Monitoring public/publicly funded research projects, including international projects, and taking part in those of interest to the Company and the Group in accordance with the strategic guidelines set out by the Board of Administration and/or Chairman;
  - take all measures as necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel.

During the year, the delegated bodies reported to the Board of Directors on the activities carried out while exercising the powers conferred on at least a quarterly basis and in such a way as to allow the Board to express an informed opinion on the matters submitted for examination.

#### **Reporting to the Board**

As prescribed in article 19 of the Bylaws, the delegated bodies promptly reported on their activities, the general operating performance and business outlook, and the on most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries to the Board of Directors at least quarterly during the Board meetings.

#### **c) Executive Committee**

The Issuer's Board of Directors has not created an Executive Committee.

#### 4.5. Other Executive Directors

With regard to article 2.C.1. of the Code, there are no other Executive Directors.

Pursuant to article 2.C.2. of the Code, the Chairman encourages the attendance of the Directors at meetings of the Board of Directors and Shareholders' Meetings, as well as their participation in other initiatives designed to enhance their knowledge of the situation and dynamics of the business, such as face-to-face meetings with key Group managers.

#### 4.6. Independent Directors

Pursuant to the combined provisions of articles 147-ter (4) and 148 (3) of the TUF, in accordance with article 2.2.3(3)(k) of the Stock Market Regulation and article IA.2.10.6 of the Stock Market Regulation Instructions – both applicable to STAR-qualified issuers – and in accordance with Principle 3 of the Corporate Governance Code, the Board of Directors currently contains three Independent Directors – Cesare Pizzul, Chiara Mio and Maria Cristina Pedicchio – who:

- (i) do not control the Company directly or indirectly, through subsidiaries, trust companies, or intermediaries, and cannot exercise significant influence over it;
- (ii) are not, directly or indirectly, party to any shareholders' agreement through which one or more persons can exercise control or significant influence over the Company;
- (iii) are not and have not during the past three financial years been key executives (i.e. the legal representative, the Chairman of the board of Directors, an Executive Director or manager with strategic responsibilities) of the Company, one of its strategic subsidiaries, a company subject to joint control with it or a company or entity that, either separately or jointly with others through a shareholders' agreement, controls the Company or can exercise significant influence over it;
- (iv) do not have and have not had during the previous year, directly or indirectly (e.g. through subsidiaries or companies in which they are key executives, in the sense set out in point (iii) above, or as the partner in a professional or consulting firm), a significant commercial, financial or professional relationship, or employment, with: (a) the Company, one of its subsidiaries or a key executive, in the sense set out in point (iii) above, at these companies; (b) a party that, either separately or jointly with others through a shareholders' agreement, controls the Company or – in the case of a company or entity – a key executive, in the sense set out in point (iii) above, at these companies;
- (v) without prejudice to point (iv) above, do not have freelance or employee working relationships, or other financial or professional relationships that could compromise their independence: (a) with the Company, its subsidiaries or parent companies, or with companies subject to joint control; (b) with Directors of the Company; (c) with spouses or relatives to the fourth degree of the Directors of the companies referred to in point (a) above;
- (vi) do not receive and have not received during the last three financial years from the Company or a subsidiary or parent company, significant remuneration in addition to the fixed compensation as a Non-Executive Director of the Company and remuneration for taking part in Committees recommended by the Code, even in the form of participation in incentive plans linked to Company performance, including stock option plans;
- (vii) have not been Directors of the Company for more than nine of the last 12 years;

- (viii) are not Executive Directors at any other company where an Executive Director of the Company serves as Director;
- (ix) are not shareholders or Directors of any company or entity within the network of the company responsible for auditing the accounts of the Company;
- (x) are not close relatives of a person who is in one of the situations described in the preceding points, and are not spouses or relatives to the fourth degree of Directors of the Company, its subsidiaries, companies that control it and those subject to joint control with it.

Upon presentation of the list from which the Ordinary Shareholders' Meeting appointed the current Board of Directors, declarations attesting to the fulfilment of the requirements set out in the Corporate Governance Code for Independent Directors were deposited at the registered office of the Company.

The Board of Directors assesses compliance with these requirements using information that the interested parties are required to provide under their own responsibility and any other information available to it.

On 7 March 2013, the Board of Directors of Eurotech carried out the annual assessment pursuant to article 1.C.1(g) of the Corporate Governance Code, finding that the composition and functions of the Board of Directors are appropriate for the operating and organisational requirements of the Company. The presence of seven non-executive directors, including three Independent Directors, out of a total of nine Directors, ensures that Board of Directors committees have the right balance of members.

Satisfaction of the pre-requisites for independence set out in Article 3 of the Corporate Governance Code and Article 148 (3) (b, c) of the TUF by the Independent Directors currently in position was verified by the Board of Directors both at its meeting on 28 April 2011 when they were appointed and at its meeting held on 7 March 2013. At the same meeting, the Independent Directors promised to maintain their independence during the term of office, and in any event to inform the Board of Directors of any situation that could compromise their independence. It should also be noted that pursuant to Art. 14, paragraph 2 of the corporate by-laws of the Issuer, a Director's loss of the pre-requisites for independence set out in art. 148, paragraph 3 of the TUF does not bring about forfeiture if the minimum number of Directors that according to current legislation must meet this requirement still meet said pre-requisites. The Board used the criteria set out in the Corporate Governance Code to carry out this assessment

The Board of Statutory Auditors, pursuant to application criterion 3.C.5 of the Corporate Governance Code, has verified the correct application of the criteria and procedures used by the Board of Directors to assess the independence of its members; the results of this audit will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to article 2429 of the Civil Code.

During the year, the Independent Directors worked together to maintain and promote an active dialogue with Directors with delegated powers and with the Director responsible for monitoring the Company's performance and the approach to its future results.

A meeting of the Independent Directors took place on 30 November 2012, during which the functioning of the management and supervisory bodies (relating to Directors) was analysed. The meeting lasted for 30 minutes.

#### **4.7. Lead Independent Director**

On 13 May 2011 the Board of Directors appointed Cesare Pizzul, an Independent Director, as Lead Independent Director, in order to enhance further the role of the Independent Directors in accordance with best practice in corporate governance. The Lead Independent Director is the contact for coordinating the requests and contributions of Independent Directors, works with the Chairman of the Board of Directors in order to ensure that the Directors receive adequate information in a timely and may also call Independent Directors' meetings, either independently or at the request of the other Directors.

During the year, Lead Independent Director Cesare Pizzul coordinated dialogue between the Independent Directors and the other members of the Board of Directors, particularly the Directors with delegated powers and the Financial Reporting Manager. This role was performed by activating discussion where necessary, monitoring the frequency of communication and encouraging information sharing, including outside formal meetings.

### **5. Handling of corporate information**

#### **5.1. Inside information**

At its meeting of 12 November 2010, the Company's Board of Directors approved the "Procedure for managing inside information" which updates the previous internal regulations on inside information adopted in 2005. The new procedure also governs methods and procedures for the external communication of documents and information relating to Eurotech, and specifically inside information, pursuant to articles 114 and 181 of the TUF, in accordance with recommendations made by CONSOB and Borsa Italiana SpA.

The procedure is designed to maintain the secrecy of inside information, while simultaneously ensuring that market disclosures of Company information are accurate, complete, appropriate, timely and non-selective.

The procedure generally confers responsibility for the management of inside information to the Company's delegated bodies, setting out specific procedures to be followed for the external communication of Company documents and information, with a particular focus on the disclosure of inside information, and meticulously governs the terms and conditions by which Company officers manage contacts with the press and other channels of mass communication (i.e. with financial analysts and institutional investors). Specifically, pursuant to this procedure, the Chief Executive Officer, the Director of Administration, Finance and Control and the Issuer's Investor Relations department ensure the correct management of the diffusion of inside information to the market, overseeing compliance with the procedure.

The Investor Relations department, provided with information by Group senior management or aware of the salient facts concerning the Company or its subsidiaries, meets with the Director of Administration,

Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information in question should be regarded as privileged.

In the event that information is deemed privileged or legislation in force stipulates that it must be communicated externally, the Investor Relations department prepares a press release with the assistance of the Corporate Communication department. Working with the Director of Administration, Finance and Control and with the assistance of the Business Affairs department, the Investor Relations department ensures that the press release complies with the relevant legislation in force.

The text of the press release must be submitted to the Chief Executive Officer and, if necessary, to the Board of Directors, for final approval before external release, following a declaration, if the information relates to the accounts, of the Financial Reporting Officer pursuant to article 154-bis of the TUF.

The press release is diffused according to the methods stipulated for the diffusion of regulated information. The Issuer also ensures that the press release is made available on the Company website [www.eurotech.com](http://www.eurotech.com) before the market opens on the day following its diffusion, and that it is available for a minimum period of five years.

To ensure management of the inside information within the Group, the *Regional* Directors are notified of the above procedure and the Directors of operating activities at the Group's various facilities are also informed; these are, according to the case, *Chief Executive Officers*, *Managing Directors*, or *General Managers* of the main subsidiaries, i.e. companies controlled by the Issuer that fall within its scope of consolidation.

The management of inside information relating to the subsidiaries is the responsibility of the *Regional Directors*, who must promptly provide the Company's Investor Relations department with any information that, on their assessment, could qualify as privileged pursuant to the above procedure.

Once notified about the inside information by the Group's regional Directors, the Investor Relations department meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information should be regarded as privileged.

## 5.2. Code of Conduct – Internal Dealing

With regard to the management of the disclosure obligations set out in the *Internal Dealing* regulations, pursuant to article 114, paragraph 7 of the TUF and articles 152-*sexies*, 152-*septies* e 152-*octies* of the CONSOB Issuer regulation, in force for listed companies since 1 April 2006, the Company's Board of Directors resolved on 28 March 2006 to adopt the procedure for compliance with internal dealing obligations "**Internal Dealing Procedure**", which is designed to ensure maximum transparency and consistency of information disclosed to the market. At the meeting of 29 March 2007, the Eurotech Board of Directors amended the *Internal Dealing* Procedure by prohibiting certain persons from executing transactions during the 15 days prior to the Board meeting called to approve period accounts (*black-out period*), pursuant to article 2.2.3, paragraph 3, letter o) of the Stock Market Regulation, applicable to issuers with the STAR qualification, as recently amended.

Notices of material transactions pursuant to the *Internal Dealing* Procedure that were executed during the year were disclosed to the market in accordance with the *Internal Dealing* Procedure. However, this information is available in the Investors section of the Company website at [www.eurotech.com](http://www.eurotech.com).

### 5.3. Register of persons possessing inside information

Specifically, regarding the obligation of listed issuers, the parties that control them and the persons that act in their name or on their behalf to set up and maintain a register of persons with access to inside information, pursuant to article 115-*bis* of the TUF and articles 152-*bis* et seq. of the CONSOB Issuer Regulation (the “**Register**”), the Company’s Board of Directors resolved to establish the Register and approved the “Procedure for managing the register of persons with access to inside information,” in effect since 1 April 2006. The Board of Directors then set up the Group Register of persons with access to inside information (“**Group Register**”), which replaces the register kept at Eurotech on behalf of all Eurotech Group companies, by Andrea Barbaro in his capacity as Group Register Officer.

## 6. Committees within the Board of Directors

The Remuneration Committee, the Control and Risks Committee and the Committee for Related Party Transactions were set up within the Board of Directors. The Company has not set up either a committee to perform the functions of two or more committees as provided for in the Corporate Governance Code, or committees other than those provided for in the Corporate Governance Code.

## 7. Appointments Committee

Considering the Issuer’s size and organisational structure, the Board of Directors does not currently find it necessary to set up an Appointments Committee. Furthermore, following amendments to the bylaws in accordance with Law 262/2005, as subsequently amended, and the associated implementing regulations, the members of the Board of Directors are appointed by means of the voting list mechanism described above, and thus on the basis of candidate lists submitted by the shareholders in possession of the equity interests indicated in article 14 of the bylaws.

## 8. Remuneration Committee

The Company Board of Directors has set up a Remuneration Committee pursuant to article 2.2.3(3)(m) of the Stock Market Regulation, applicable to STAR-qualified issuers, and in accordance with the Corporate Governance Code. This Committee was set up pursuant to a resolution by the Board



of Directors on 2 September 2005 and will hold office as long as the Board of Directors that appointed it is in office.

In accordance with the Corporate Governance Code, this Committee may only make proposals. In particular, the Chief Executive Officers remain responsible for defining the policies and remuneration levels for senior management.

In accordance with article 2.2.3(3)(m) of the Stock Market Regulation and Principles of the Corporate Governance Code, the Committee exclusively comprises Non-executive Directors, most of whom are independent.

The Remuneration Committee is responsible for:

- proposing the adoption of the Remuneration Policy for Directors and key management personnel;
- proposing or expressing opinions to the Board of Directors on the remuneration of Executive Directors and other Directors who hold specific positions and on the setting of any performance objectives related to any variable remuneration component, monitoring the implementation of decisions taken by the Board and verifying, in particular, the actual achievement of the *performance* objectives;
- periodically assessing the adequacy, overall consistency and practical application of the Remuneration Policy of Executive Directors, other Directors assigned special duties and key management personnel, availing itself with regard to the latter of information provided by the Chief Executive Officers; submitting proposals to the Board of Directors.

In particular, the Committee takes into due account the following in determining said remunerations: consistency with remunerations recognised in previous mandates, compliance with the commitments assumed and responsibilities of the positions held, professional qualifications possessed by the parties concerned, and the size of the Company, Group and respective prospects for growth.

On 23 March 2012, the Remuneration Committee held a meeting which was duly minuted. The aim of the meeting was to analyse the results deriving from the variable remuneration plan relating to the Group for the year 2011, the proposed remuneration of the Directors assigned special executive duties and managers, the variable remuneration of the key figures at the Company, the definition of the principles for allocating variable components of the remuneration of the Group's subsidiaries for the year 2012 and the Remuneration Report for the Shareholders' Meeting called to approve the financial statements.

The meeting lasted for 2 hours

For the current year at least two meetings are scheduled. One was held on 19 February 2012 while the other is scheduled for May 2012. In performing its functions, the Remuneration Committee had the power to access the information and business departments necessary for carrying out its duties and to make use of external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Remuneration Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.

On 13 May 2011, the Board of Directors appointed the following Committee members: Cesare Pizzul (Chairman), Chiara Mio and Maria Cristina Pedicchio, all of whom are Independent Non-executive Directors.

The Directors Cesare Pizzul and Chiara Mio have accounting and financial experience deemed adequate by the Board at the time of appointment.

No Director shall attend the meetings of the Remuneration Committee in which proposals to the Board of Directors regarding their remuneration are put forward.

## 9. Directors' remuneration

As prescribed by article 20 of the Company bylaws, the members of the Board of Directors are entitled to annual compensation, determined by the Shareholders' Meeting for the entire period of their term, and reimbursement of the expenses they incur on official business. After receiving the opinion of the Board of Statutory Auditors, the Board of Directors determines the remuneration of the Chairman, Vice Chairmen, Chief Executive Officers and members of the Executive Committee. Alternatively, the Shareholders' Meeting may determine a total amount for remuneration of all Directors, including those assigned special duties, with the allocation of that aggregate amount being determined by the Board of Directors upon consultation with the Board of Statutory Auditors.

A significant portion of the remuneration of the Executive Directors and Directors with strategic responsibility is linked to the operating results obtained by the Company and/or the achievement of specific targets set previously by the Board of Directors.

The compensation of Non-executive Directors is based on the commitment requested from each one, considering the participation of each on one or more committees. Their remuneration is not related to the operating results of the Company. The Non-executive Directors are not beneficiaries of share-based incentive plans.

The Shareholders' Meeting of 28 April 2011 resolved to set the total remuneration for the Board of Directors at € 900,000.00, to be divided according to subsequent resolution by the Board, including non-proportionally, and including the remuneration of Board members assigned special duties in the financial years 2011-2013.

Information on the Remuneration Policy adopted by the Issuer and on the remuneration received by the members of the Board of Directors during the financial year is fully provided in Section II of the Remuneration Report prepared pursuant to art. 123-ter of the TUF and art. 84-quater of the Consob Issuer Regulation, available in accordance with legal requirements on the Company's website [www.eurotech.com](http://www.eurotech.com) in the "Investors" section.

### **Incentive mechanisms of the Internal Audit Officer and Financial Reporting Manager**

There are no incentive mechanisms of the Internal Audit Officer and Financial Reporting Manager.

## 10. Control and risks committee

On 2 September 2005, the Board of Directors set up a Control and Risks Committee with the functions prescribed by the Corporate Governance Code. It mandated the Chairman of the Board of Directors to define and adopt internal operating and administrative procedures that would ensure healthy and efficient company management.

In accordance with article 2.2.3(3)(n) of the Stock Market Regulation, applicable to STAR-qualified issuers, and article 7.C.2 of the Corporate Governance Code, the Control and Risks Committee provides advice and proposals to the Board of Directors on the internal control and risk management system

More specifically, this Committee in assisting the Board of Directors:

- a) evaluates, together with the Financial Reporting Officer and consulting the Independent Auditor and the Board of Statutory Auditors, the correct application of accounting policies and, in the case of groups, their suitability for the preparation of the consolidated financial statements;
- b) expresses opinions on specific issues regarding the identification of key business risks;
- c) examines the periodic reports relating to the evaluation of the internal control and risk management system, and those of particular significance prepared by *Internal Audit* function;
- d) monitors the independence, adequacy, efficacy and efficiency of the *Internal Audit* function;
- e) may request the *Internal Audit* function to perform checks on specific operating areas, giving concomitant communication to the Chairman of the Board of Statutory Auditors;
- f) reports to the Board at least every six months, upon approval of the financial statements for the full-year and the half-year report, on its activity and the adequacy of the internal control and risk management system.

At its meeting of 13 May 2011, the Board of Directors appointed the following members of the Control and Risks Committee: Chiara Mio (Chairman), Cesare Pizzul and Maria Cristina Pedicchio, all of whom are Independent Non-executive Directors.

The Control and Risks Committee reported to the Board of Directors on Committee activities and the adequacy of the internal control system at least once every six months, upon approval of the financial statements for the full-year and the half-year report;

All the members of the Control and Risks Committee have appropriate accounting and financial experience. The Control and Risks Committee held 4 (four) meetings during the reporting period, on 17 February, 12 June, 13 July, and 30 November, all of which were duly minuted.

The Control and Risks Committee meetings lasted one hour on average. During the financial year, changes to internal procedures and processes for monitoring risk in the current and successive reporting periods were analysed, and information was exchanged periodically with the Board of Statutory Auditors and with the planned Oversight Committee to allow any critical issues in the respective areas of responsibility to be brought up. A Member of the Board of Statutory Auditors also attended the meetings. At least [four] meetings are planned for the current financial year, on dates that will be set according to the requirements of the Company and the Control and Risks Committee.

Parties who are not members of the Control and Risks Committee may attend meetings at the invitation of the Committee Chairman.

In performing its functions, the Control and Risks Committee has the power to access the information and business operations necessary to carry out its duties and to make use of external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Control and Risks Committee, since it makes use of the business resources and structures of the Issuer in carrying out his tasks.

## 11. Internal control and risk management system

The Board of Directors has set up an internal control and risk management system for auditing - once full operational efficiency is reached - effective compliance with the internal operating and administrative procedures adopted to ensure healthy and efficient management and - where possible - identification, prevention and management of financial and operating risks and fraud against the Company.

The Board of Directors defines the guidelines for the internal control and risk management system, construed as a set of processes designed to monitor the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, and the protection of Company assets.

To this end, the Board, after consultation with the Control and Risks Committee:

- (i) handles the prevention and management of Company risks relating to the Issuer and Group through the definition of control and risk management system guidelines that can ensure that these risks are properly identified and adequately measured, monitored, managed and assessed, also in view of protecting corporate assets and healthy and fair corporate management, in line with the identified strategic objectives;
- (ii) assesses the adequacy of the internal control and risk management system on a periodic basis, and at least once annually, in relation to the characteristics of the company and risks assumed, as well as its efficacy;
- (iii) approves, on at least an annual basis, the plan prepared by the Internal Audit Officer, consulting the Board of Statutory Auditors and the Director responsible for the internal control and risk management system;
- (iv) assesses, consulting the Board of Statutory Auditors, the result set out by the Independent Auditor in the letter of suggestions, if any, and in the report on key matters arising from the auditing of the accounts.

The Board also, at the proposal of the Chief Executive Officer in charge of overseeing the functioning of the internal control system (the “**Delegated Director**”) and after consultation with the Control and Risks Committee, as well as consulting the Board of Statutory Auditors:

- (a) appoints and revokes the Internal Audit Officer;
- (b) ensures that he or she has resources adequate for discharging his or her responsibilities;
- (c) defines the remuneration in line with company policy.

The internal control and risk management system is therefore organised and managed by four bodies: the Board of Directors, the Delegated Director, the Internal Audit Officer and the Control and Risks Committee (see section 10 hereinabove).

On 2 April 2012, the Board of Directors reviewed the adequacy, effectiveness and actual functioning of the internal control system.

### 11.1. Executive Director responsible for the internal control system

The Delegated Director is responsible for:

- (i) identifying typical corporate risks, according to the characteristics of Company activity and the activity of its subsidiaries and the sector in which they operate;
- (ii) through the design, management and monitoring of the internal control system, implementing the guidelines established by the Board of Directors, reporting on its operations to the Board of Directors when requested. In order to carry out these functions, the Delegated Director relies on the assistance of the Compliance Officer.

The Board of Directors designated Vice Chairman and CEO Roberto Siagri as Delegated Director on 13.05.11.

### 11.2. Internal Audit Officer

The functions of the *Internal Audit* Officer (formerly the Internal Control Officer) are carried out by Stefano Bertoli, appointed by the Board of Directors on 13 May 2011 on the proposal of the Delegated Director, with the approval of the Control and Risks Committee and consulting the Board of Statutory Auditors.

The Internal Audit Officer is not in charge of any operating area and reports hierarchically to the Board.

The *Internal Audit* Officer is assigned the following duties:

- (a) checking, both continuously and in connection with specific requirements and in observance of the international standards, the operation and appropriateness of the internal control and risk management system using an audit plan approved by the Board of Directors that is based on a structured analysis plan that prioritizes the main risks;
- (b) preparing periodic reports containing adequate information on his or her activity, the procedures followed to manage the risks and observance of the plans defined to reduce them. The periodic reports contain an assessment of the adequacy of the internal control and risk management system;
- (c) promptly preparing reports on particularly important events;
- (d) sending the reports described under paragraphs (b) and (c) to the chairmen of the Board of Statutory Auditors, the Internal Control and Risks Committee and the Board of Directors, as well as to the Delegated Director of the internal control and risk management system;
- (e) checking the reliability of the information systems, including the accounting systems, as part of the audit plan.

The Internal Audit Officer had direct access during the reporting period to all information useful for performing his duties.

No financial resources were allocated to the *Internal Audit* Officer, since he makes use of the business resources and structures of the Issuer in carrying out his tasks.

No remuneration was allocated to the *Internal Audit* Officer.

During the year the Internal Audit Officer reported on his activities to the Control and Risks Committee, the Board of Statutory Auditors and the Delegated Director.

The principal activities carried out during the year related to analysis of *business* risk and the auditing of corporate procedures regarding those risks.

### **11.3. Organisation model pursuant to Legislative Decree 231/2001**

The Organisation, Management and Control Model (the “**Model**”) was approved on 29 March 2008 pursuant to Legislative Decree 231 of 8 June 2001.

The Model is based on the principles and guidelines set out in the:

- a) Stock Market Regulation;
- b) Corporate Governance Code;
- c) guidelines for drafting organisational, management and control models pursuant to Legislative Decree 231/01, approved by Confindustria on 7 March 2002, as subsequently amended

The Model makes provision for the following:

1. Oversight Committee
  - a. designation of an existing body or establishment of a new body;
  - b. definition of the flow of information from and to the Oversight Committee.
2. Identification of the principal areas at risk of criminal offences (articles 24 and 25)
  - a. historical analysis;
  - b. identification of the principal corporate areas involved in possible cases of criminal offence;
  - c. identification of the persons concerned.
3. *Risk assessment* (articles 24 and 25)
  - a. identification and assessment of existing controls;
  - b. identification of any defects in controls.
4. Other parts of the Model
  - a. code of ethics;
  - b. organisational system;
  - c. delegations of authority, including power of signature;
  - d. manual and IT procedures;
  - e. management control system;
  - f. information and training of personnel on the Model;
  - g. disciplinary system;
  - h. formalisation of the model summary document.
5. Model monitoring
  - a. analysis of results and definition of corrective measures;
  - b. Assisting the Supervisory Body in:
    - i. defining an audit plan;
    - ii. carrying out audits on the Model.

Since the Oversight Committee ceased to exist when the mandate of the previous Board of Directors expired, on 13 May 2011 Stefano Fruttarolo (Chairman), Chiara Mio and Stefano Bertoli were appointed as the new members of the Oversight Committee. They all fulfil the relevant legal requirements.

#### 11.4 Independent auditor

The Independent Auditor responsible for auditing the accounts is Reconta Ernst & Young SpA.

The auditing engagement was conferred at the Ordinary Shareholders' Meeting of 21 July 2005 for the three-year period including the financial years 2005, 2006 and 2007, and was extended for another six financial years (2008, 2009, 2010, 2011, 2012 and 2013) via a subsequent resolution by the Ordinary Shareholders' Meeting of 7 May 2007.

#### 11.5. Financial Reporting Manager

Pursuant to article 19, paragraph 4 of the Company bylaws, the manager assigned to prepare the company's accounts (the "**Financial Reporting Manager**") must be appointed by the Board of Directors of the Company following mandatory consultation with the Internal Control Committee. The Financial Reporting Manager must satisfy the professional requisites of specific expertise in the administration and accounting and must be granted adequate powers and resources to perform the above functions. He/she must be also be paid adequate compensation.

On 13 May 2011, the Board, with the approval of the Board of Statutory Auditors, appointed Sandro Barazza, Administration and Finance Officer and a member of the Board of Directors, as the Financial Reporting Manager. Upon appointment, the Board verified that she has the requisites required by law and the Bylaws.

The Financial Reporting Manager is delegated full powers directly and/or indirectly related to the performance of the duties assigned to him/her, including the power to access all types of information and/or documents relating to the Company and/or Group companies as deemed relevant and/or appropriate for discharging the duties legally assigned to him/her.

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

##### *Introduction*

According to the Corporate Governance Code, the internal control system comprises all the rules, procedures and organisational structures designed to allow, through an appropriate identification process, the measurement, management and monitoring of the main risks, for the healthy and proper management of the business, in line with pre-set objectives.

The definition provided in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) identifies the internal control system as a process designed to provide reasonable

security in pursuing the objectives of efficiency and effectiveness in operating activities, reliable information in the financial statements and compliance with laws and regulations in force.

In line with the definitions described, the system for managing existing risk relating to Eurotech's financial disclosure process is one part of the Group's wider system of internal control.

**Description of the main features of the current internal control and risk management system relating to the financial disclosure process**

**a) General operating principles of the internal control and risk management system**

Eurotech's internal control and risk management system is based on the following key elements:

- Eurotech's Code of Ethics;
- clear business organisation with well-defined responsibilities;
- business policy and procedure;
- information systems (particularly relating to the objectives of a correct segregation of functions);
- management control and the *directional* reporting system;
- continuing training of company personnel;
- a structured and controlled external communication process.

Given the definitions of the internal control and risk management system provided above, control is intended to mean an action undertaken by a manager to increase the probability that pre-set objectives are achieved or to reduce the impact of any risks related to these objectives.

These controls may be exercised *ex-ante* (to prevent the occurrence of unwanted events), or *ex-post* (to identify and correct unwanted events that have taken place).

The company Directors and managers, within their respective areas of competence, are responsible for:

- identifying and assessing risks to business operations;
- defining and establishing *policy*, operating standards, procedures, systems and other tools to reduce the probability and/or impact of any risks to a minimum;
- issuing operating instructions for control processes and encouraging employees to carry out their tasks in a controllable and controlled way;
- maintaining the adequacy and efficiency of the control processes established.

The four key objectives for control operations that every business manager is required to fulfil are:

1. safeguarding business resources, including human and financial resources;
2. ensuring the reliability of the data and information used internally or communicated externally;
3. promoting efficient and effective actions;
4. ensuring that senior management guidelines, (including the budget, plans, policies and procedures) are respected and executed according to the laws and regulations under which the Company operates.



**b) Internal control and risk management system in the financial disclosure process**

Of the four objectives, the second and the fourth are closely connected to the financial disclosure process, which is mainly governed by the Chief Executive Officer and the Financial Reporting Manager pursuant to article 154-*bis* of the TUF.

In line with the operational principles of Eurotech's internal control system, the Chief Executive Officer and the Financial Reporting Manager carefully and scrupulously identify the main risks to the financial disclosure process every year. The risk identification process involves identifying the Group Companies and the operating flows that are vulnerable to material errors or fraud, with reference to the business results in Eurotech's separate and/or consolidated financial statements.

In response to the risks identified and evaluated according to the probability that they will happen and the effects of this on the financial statements, appropriate control procedures are created, which are assessed at both the design and the operational stage. Assessment of the design of the control procedures helps to guarantee that they are appropriate for the risks for which they were created. Assessment of operational effectiveness over time ensures that the procedures continue to be appropriate throughout the financial disclosure period.

**c) Roles and responsibilities within the internal control and risk management system**

Apart from the duties of each company manager as described in point a), the main players in the system for the internal control of the financial disclosure process are as follows:

- the Chief Executive Officer and the Financial Reporting Manager pursuant to article 154-*bis* of the TUF, who are responsible for defining and assessing specific control procedures governing risks involved in the process of drawing up the accounting documents;
- the Control and Risks Committee, which analyses the results of the audit of the internal control and risk management system and reports periodically to the Board of Directors on the action to be taken;
- the Oversight Committee pursuant to Legislative Decree 231/01, which monitors for corporate offences pursuant to Legislative Decree 231/01, identifying risk scenarios and verifying first hand that control regulations have been respected. The Oversight Committee also monitors compliance with and application of the Group's code of ethics.

**11.6. Coordination between the parties involved in the internal control and risk management system**

Coordination between the various actors involved in the internal control and risk management system (Board of Directors, Delegated Director, Internal Control and Risks Committee, Board of Statutory Auditors, *Internal Audit* Officer, Financial Reporting Manager and Independent Auditor) occurs through a continuous flow of information between these parties and the provision of regular meetings, which allows adequate visibility of business risks impending and managed in the Eurotech Group and of the issues raised and brought to the attention of the different supervision and control bodies.

## 12. Directors' interests and related party transactions

On 19 October 2010, the Board of Directors assigned the Control and Risks Committee, which comprises three Independent Directors, the task of issuing an opinion on the procedure for identifying, approving and managing related party transactions.

At its meeting of 12 November 2010, the Company's Board of Directors, with a positive opinion given by the Control and Risks Committee, adopted the Committee's regulations on related party transactions and a dedicated procedure for related party transactions (the "**Related Party Procedure**"), adopted pursuant to the Regulation for Related Party Transactions. The Related Party Procedure governs the identification, approval and management of related party transactions. Specifically, the Related Party Procedure:

- governs methods for identifying related parties, defining methods and schedules for the preparation and updating of the list of related parties, and identifying the business departments involved;
- identifies rules to identify related party transactions before completion;
- regulates procedures for the execution of related party transactions by the Company, including via subsidiaries pursuant to article 2359 of the Civil Code or subject to management and coordination activity;
- establishes methods and a schedule for fulfilling the obligations of disclosure to the corporate bodies and the market.

In applying the Related Party Procedure, the Company also takes account of CONSOB communication DEM/10078683, published on 24 September 2010, which contains indications and guidelines for the implementation of the Related Party Regulation.

The Related Party Procedure came into force on 1 January 2011.

The Related Party Procedure and the related annexes can be found in the Investors section of the Issuer's website at [www.eurotech.com](http://www.eurotech.com).

### **Committee for Related Party Transactions**

On 12 November 2010, the Board of Directors also resolved to create a Committee for Related Party Transactions, comprising Independent Directors and performing all the tasks set out in the Related Party Procedure. The Committee for Related Party Transactions, in its current composition as a result of the Board's resolution of 13 May 2011, consists of Cesare Pizzul, Chiara Mio and Maria Cristina Pedicchio, all of whom are Independent Non-executive Directors.

The Committee for Related Party Transactions performs all the activities required by the Related Party Procedure. Specifically, the Committee for Related Party Transactions is authorised to release, before approval and/or execution of related party transactions, a non-binding reasoned opinion on the interest for the Company in performing these transactions, and the convenience and substantive correctness of the relative terms.

The Committee for Related Party Transactions meets at the registered office or in other locations mutually agreed by its members, whenever the Committee Chairman deems necessary, as frequently as required to fulfil the tasks assigned to the Committee or when a Committee member makes a reasoned request to the Chairman.

Members of the Board of Statutory Auditors may attend meetings of the Committee for Related Party Transactions; on a case-by-case basis, depending on the transaction concerned, persons authorised to approve and/or execute transactions (including persons tasked with leading discussions related to the transaction), and/or persons whose attendance is deemed useful in conducting the meeting, may also attend.

The Chairman of the Committee for Related Party Transactions is responsible for calling meetings and setting the agenda. At least three days' notice is given for meetings of the Committee for Related Party Transactions. The meeting may be called by *fax* or *e-mail*. If the meeting is urgent (the Chairman must assess whether this is the case), it may be called by telephone with one day's notice. The Committee for Related Party Transactions may also validly meet without notice if all its members are present.

Meetings of the Committee for Related Party Transactions are valid if the majority of its members are present, and resolutions are made by majority of those present, with abstentions not included in the result.

Meetings may also take place via teleconferencing or videoconferencing systems, provided that all the participants can be identified and that they can follow the discussion, speak in real time as agenda items are being discussed and transmit and receive documents, and provided that the context of examination and resolution can be guaranteed. If these conditions exist, the meeting is regarded as taking place at the location of the Chairman and the Secretary. In the event of emergency, the Chairman has the power to communicate with the Committee members in writing, taking minutes of the resolutions adopted.

On 27 January 2012, the Committee for Related Party Transactions held one meeting which was duly minuted. The meeting focused on the analysis of the recognition and updating of any significant transactions.

The meeting lasted for 1 hour.

During the year, the Committee for Related Party Transactions performed its duties in accordance with the Procedure.

## 13. Appointment of Statutory Auditors

Pursuant to Article 26 of the Bylaws, the Board of Statutory Auditors is comprised of three Statutory Auditors and two Alternate Auditors. Their term is for three financial years and expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected. The Statutory Auditors must satisfy the requirements, including those governing the possession of various positions at the same time, envisaged by law and other applicable provisions. Pursuant to article 1(3) of Ministry of Justice Decree 162 of 30 March 2000, research, development, production and marketing of software, systems, and devices in the IT, electronic and electro-mechanical sectors must be considered strictly related to Company activities. With reference to the rules on the balance between genders in the composition of control bodies pursuant to art. 148, paragraph 1-*bis* of the TUF, as introduced by Law 120/2011, and the implementation provisions of CONSOB, the Board adapted the Bylaws to the aforesaid regulations pursuant to articles 2365, paragraph 2 of the Civil Code, and 19, paragraph 1, of the Bylaws at the 15 March 2013 meeting.

In observance of the balance between genders regulations in force, the Board of Statutory Auditors is appointed based on the lists the Shareholders submit, in which the candidates are listed by progressive number. The list comprises two sections: one for candidates for the post of Statutory Auditor and the other for candidates for the post of Substitute Auditor.

The lists containing a number of candidates equal to or greater than three must be formed by candidates belonging to both genders so that at least one-fifth belong to the less represented gender (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) of the candidates for the office of Statutory Auditor and at least one-fifth (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) of the candidates for the office of Substitute Auditor.

Only those shareholders who, either individually or in combination with others, own voting shares equivalent to at least 2 (two) per cent of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage that may be established or cited by statutory or regulatory provisions, may submit lists. With resolution 18452 of 30.01.13, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's control body at 4.5% of the share capital, for the year ended 31 December 2012.

Ownership of the equity interest required, pursuant to the foregoing, for submission of the list, declared according to the terms and methods provided for in the laws and regulations currently *in force*.

No shareholder, including shareholders in a relevant shareholders' agreement pursuant to article 122 of the TUF, or the controlling shareholder, subsidiaries or companies subject to joint control pursuant to article 93 of the TUF, may submit or participate in the submission of more than one list or vote for different lists, either directly or through an intermediary or trust company. No candidate may run on more than one list, on penalty of ineligibility. The lists may not include candidates who (without prejudice to any other cause of ineligibility or forfeiture) do not satisfy the requirements set out in any applicable laws or regulations that are envisaged in article 148(2) of the TUF.

Outgoing Statutory Auditors may be re-elected. The submitted lists must be deposited at the registered office of the Company at least twenty-five days before the scheduled date of the Shareholders' Meeting

on its single call, and mention thereof shall be made in the meeting notice, without prejudice to any other forms of public notice and procedures of deposit required pursuant to any applicable laws and regulations. If, when the deadline for the submission of lists has passed, only one list has been submitted, or only lists presented by shareholders with significant relationships pursuant to the applicable laws and regulations currently in force, lists may be also be submitted within the time period stipulated by the applicable rules in force; in this case the minimum shareholding threshold is halved.

The lists must contain:

- a) information on the identities of the shareholders presenting the lists, indicating their total percentage shareholding;
- b) a statement by shareholders other than those that individually or jointly own a controlling or relative majority equity interest in the Company, attesting to the absence of relationships with the latter pursuant to current laws and regulations;
- c) complete information about the candidates' experience and qualifications, and statements from the candidates attesting to their satisfaction of legal requirements and acceptance of candidacy, as well as a list of any management and supervisory positions held at other companies.

Any list that does not comply with the foregoing requirements will be regarded as null and void.

The Statutory Auditors are elected as follows:

- 1) two Statutory Auditors and one Substitute Auditor are elected from the list receiving the highest number of votes at the Shareholders' Meeting, according to their numerical order of listing in the respective sections of the list;
- 2) one Statutory Auditor, who is appointed Chairman of the Board of Statutory Auditors, and a Substitute Auditor are elected from the list that receives the second highest number of votes at the Shareholders' Meeting and that, pursuant to applicable laws and regulations, is not directly or indirectly associated with the shareholders that submitted or voted for the list receiving the highest number of votes, according to their numerical order of listing in the respective sections of the list. In the case of a tie vote between two or more lists, the most senior candidates in terms of age shall be elected.

If the composition of the Board of Statutory Auditors is not ensured by following the procedures set out above, the necessary replacements of its Statutory Auditors will be made in compliance with the balance between genders regulations in force with candidates for the office of statutory auditor on the list that received the highest number of votes, following the progressive order of the candidates listed.

A Statutory Auditor forfeits his/her position in the cases envisaged by law and regulation, and when the requirements established in the bylaws for his/her candidacy are no longer satisfied. When a Statutory Auditor's seat is vacated, it is filled by the Substitute Auditor elected on the same list as that of the former Statutory Auditor. However, the Board of Statutory Auditors must always be chaired by the Statutory Auditor elected on the minority slate and the composition of the Board of Statutory Auditors must comply with the balance between genders regulations in force. When the Shareholders' Meeting is required to appoint Statutory and/or Substitute Auditors to expand the Board of Statutory Auditors,

it proceeds as follows: when Auditors elected from the majority list are to be replaced, the appointment is made by relative majority vote without list restrictions; when Auditors elected from the minority list are to be replaced, the Shareholders' Meeting makes the appointment by relative majority vote, choosing between the candidates on the same list as that of the outgoing Auditor, provided that the balance between genders regulations are observed. When this procedure does not permit, for any reason, the replacement of Auditors on the minority list, the Shareholders' Meeting will vote by relative majority; however, the results of this last vote may not include the votes of the shareholders who, according to the notices served pursuant to applicable laws and regulations, own directly or indirectly or jointly with other shareholders in a relevant shareholders' agreement pursuant to article 122 of the TUF, the relative majority of exercisable votes at the Shareholders' Meeting, or the votes of the shareholders that control, are controlled or are subject to joint control with them. However, the balance between genders regulations in force must always be observed. The preceding provisions for election of Statutory Auditors do not apply at the Shareholders' Meetings where only one list is submitted or only one list is voted. In these cases the Shareholders' Meeting resolves by relative majority, provided that the balance between genders regulations are observed.

## 14. Composition and functioning of the board of statutory auditors

On 28 April 2011, the Ordinary Shareholders' Meeting, following the expiry of the previous control body, appointed the new Board of Statutory Auditors in the persons of Claudio Siciliotti, Michela Cignolini and Giuseppe Pingaro as Statutory Auditors, and Lorenzo Ginisio and Michele Testa as Substitute Auditors on the basis of a single majority list submitted by the shareholder Roberto Siagri that got 6,673,471 votes in favour representing 99.308% of the voting capital (equal to 6,719,995 ordinary shares), according to the bylaws in force for a period of three years and however until the financial statements of the fiscal year ending on 31 December 2013 are approved.

The current composition of the Board of Statutory Auditors is shown in Table 3 attached to this Report.

For more information about the list filed for the appointment of the control body, please refer to the Company's website at [www.eurotech.com](http://www.eurotech.com), in the "Investors" section, where the *curricula vitae* of the Directors are also available.

The following table shows the other positions held by members of the Board of Statutory Auditors at companies pursuant to Book V, Title V, Chapters v, vi and vii of the Civil Code.

Name and surname	Position at Eurotech	Company	Management and supervisory positions
Claudio Siciliotti	Chairman of the Board of Statutory Auditors	Concast Technologies Srl, Udine (UD);	Chairman of the Board of Statutory Auditors
		Eurotech SpA, Amaro (UD);	Chairman of the Board of Statutory Auditors
		FriulanaGas SpA, Campofornido (UD);	Chairman of the Board of Statutory Auditors
		Germacar Auto SpA, Zoppola (PN);	Chairman of the Board of Statutory Auditors
		Hypo Alpe-Adria-Bank SpA Tavagnacco (UD)	Chairman of the Board of Statutory Auditors
		Mangiarotti SpA, Sedegliano (UD);	Chairman of the Board of Statutory Auditors
		Sager SpA, San Giovanni al Natisone (UD);	Chairman of the Board of Statutory Auditors
		SMS Concast Italia SpA, Udine (UD);	Chairman of the Board of Statutory Auditors
		Thermokey SpA, Teor – Rivarotta (UD),	Chairman of the Board of Statutory Auditors
		Cineca Consorzio Interuniversitario, Casalecchio di Reno (BO);	Statutory Auditor:
		E.F.Fim SpA, Udine (UD);	Statutory Auditor
		FriulanaGas Srl, Campofornido (UD);	Statutory Auditor
		Sartogo SpA, Udine (UD);	Statutory Auditor
		Valagro SpA, Atessa (CH).	Statutory Auditor
		Germacar di Cesaro Sergio SpA, Pordenone (PN);	Substitute Statutory Auditor
		Germacar Udine SpA, Tavagnacco (UD);	Substitute Statutory Auditor
		Rizzani De Eccher SpA, Pozzuolo del Friuli (UD);	Substitute Statutory Auditor
		RTH Group SpA, Udine (UD);	Substitute Statutory Auditor
		Stark SpA, Trivignano Udinese (UD);	Substitute Statutory Auditor
		FidelisTust Company Srl, Milano (MI);	Chairman of the Board of Directors
Koinos Cooperativa Informatica Organizzazione Servizi dei Dottori Commercialisti, Milan (MI).	Board of Directors		
Cirano Srl, Udine (UD).	Sole Director		
OIC – Organismo Italiano di Contabilità, Rome (RM).	Supervisory Director		
Michela Cignolini	Statutory Auditor	Germacar di Cesaro Sergio SpA, Pordenone (PN);	Chairman of the Board of Statutory Auditors
		Mia Fiduciaria SpA, Roma (RM).	Chairman of the Board of Statutory Auditors
		Concast Technologies Srl, Udine (UD);	Statutory Auditor
		Eurotech SpA, Amaro (UD);	Statutory Auditor
		Geber SpA, Tavagnacco (UD);	Statutory Auditor
		Germacar Auto SpA, Zoppola (PN);	Statutory Auditor
		Pretitalia SpA – Bergamo (BG)	Statutory Auditor
		RTH Group SpA, Udine (UD);	Statutory Auditor
		SMS Concast Italia SpA, Udine (UD).	Statutory Auditor
		Certicomm – Autorità Nazionale di Certificazione in liquidation, Rome (RM);	Substitute Statutory Auditor
		FriulanaGas SpA, Campofornido (UD);	Substitute Statutory Auditor
		FriulanaGas Srl, Campofornido (UD);	Substitute Statutory Auditor
		Germacar Udine SpA, Tavagnacco (UD);	Substitute Statutory Auditor
		Sager SpA, San Giovanni al Natisone (UD);	Substitute Statutory Auditor
		Thermokey SpA, Teor – Rivarotta (UD).	Substitute Statutory Auditor
		Private Trust Company Srl in Liquidazione, Milano (MI).	Liquidator
		Giustidue Srl, Udine (UD).	Liquidator
		Invec Srl in Liquidazione, Udine (UD)	Liquidator
		Fidelis Trust Company Srl – Milano (MI)	Board of Directors
		Erresse Immobiliare Srl, Udine (UD).	Board of Directors

**Annex 1 - Report on corporate governance and ownership structure pursuant to article 123-bis of the Consolidated Finance Act (TUF)**

Name and surname	Position at Eurotech	Company	Management and supervisory positions
Giuseppe Pingaro	Statutory Auditor	Eurotech SpA (Eurotech Group)	Statutory Auditor
		Associazione per l'Assistenza Sanitaria Integrativa ai Dirigenti della Finmeccanica – ASID	Statutory Auditor
		Cassa di Previdenza per i Dirigenti del Gruppo Finmeccanica – Fondo Pensione Complementare	Statutory Auditor

For information on the administrative and supervisory duties vested in the members of the Board of Statutory Auditors, see the figures published by CONSOB pursuant to article 144-*quinquiesdecies* of the CONSOB Issuer Regulation, in the Corporate Boards section of the [www.sai.consob.it](http://www.sai.consob.it) website.

The Board of Statutory Auditors held 6 (six) meetings during the financial year: 13 February, 30 March, 7 May, 30 July, 8 August, and 29 October 2012.

The average meeting duration was about two hours.

For the current year there are at least four meetings scheduled, one of which was already held 1 February and others are scheduled on the following dates: 6 May, 29 July and 28 October 2013.

At its meeting held 30 March 2012 the Board of Statutory Auditors confirmed that its members still satisfied the requirement that its members be independent in accordance with the provisions of the Corporate Governance Code governing the independence of Directors. The results of this assessment will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to article 2429 of the Civil Code.

Any Statutory Auditor who, on his/her own account or on behalf of third parties, has an interest in a given transaction by the Issuer, shall promptly provide the other Auditors and the Chairman of the Board of Directors with comprehensive information on the nature, terms, origin and scope of this interest. The Board of Statutory Auditors periodically monitors the independence of the Independent Auditor, verifying compliance with relevant regulatory provisions and the nature and scale of the services rendered. The results of the assessment are included annually in the report to the Shareholders' Meeting.

Attendance of the Chairman of the Board of Statutory Auditors and Auditors at the meetings of the Board of Directors and the characteristics of board reporting enable the Auditors to obtain adequate knowledge of the field of activity in which the Issuer operates, its dynamics and their evolutions, as well as the relevant regulatory framework.

In carrying out its duties, the Board of Statutory Auditors regularly collaborated with the Control and Risks Committee through contact with the Internal Audit Officer. For information on coordination procedures, please refer to paragraph 11 above.

Pursuant to article 27 of the Company bylaws, the Board of Statutory Auditors performs the functions delegated to it by law and other applicable regulatory provisions. In the case of the listing of the Company's shares on an Italian regulated market, the Board of Statutory Auditors also exercises all other duties and powers envisaged by special laws. The Directors must report to it in writing on a quarterly basis pursuant



to article 150 of the TUF. The Board of Statutory Auditor meetings may also be held by conference call and/or video conference, provided that: a) the Chairman and the person taking the meeting minutes are present at the same meeting location; and b) all participants can be identified and can follow the discussion, receive, transmit and read documents, and orally participate in real time on all matters. If these requirements are satisfied, the meeting of the Board of Statutory Auditors is considered to be held at the location of the Chairman and person taking the minutes.

The Company accounts are audited by a qualified Independent Auditor or firm of auditors (on point see *supra* par. 11.4).

The Board of Statutory Auditors is assigned the functions of the Internal Control and Audit Committee and, in particular, the supervisory functions of (i) the financial disclosure process; (ii) the effectiveness of the internal control, internal auditing, if applicable, and risk management systems; (iii) the auditing of the annual accounts and the consolidated accounts; and (iv) the independence of the Independent Auditor or auditing firm, particularly with regard to the rendering of services not related to auditing to the entity subject to the account audit.

In particular, with reference to the provisions of article 19 of Legislative Decree 39/2010, the attendance of the Board of Statutory Auditors at the meetings of the Control and Risks Committee has been identified as a "modus operandi", in order to be able to exchange information useful for discharging duties assigned by the regulations in accordance with the specific areas of competence.

## 15. Shareholder Relations

The Company believes that it has a specific interest, as well as duty to the market, in establishing a continuous dialogue based on mutual understanding of roles with the majority of shareholders and institutional investors. This dialogue must be conducted in compliance with the procedure governing external disclosure of corporate documents and information.

On 8 August 2008, the Company's Board of Directors appointed Andrea Barbaro as *head of relations with institutional investors and other shareholders (Investor Relator)*, in order to ensure fair, continuous and complete communication in accordance with article 2.2.3.(3)(i) of the Stock Market Regulation, applicable to STAR-qualified issuers. Nonetheless, the disclosure of information regarding the Company in the course of these relations must be made in compliance with the internal Inside Information Regulation.

Disclosure is also provided by the prompt publication of corporate documents on the Company *website*. On the website investors can freely consult, in Italian and English, all press releases issued to the market, the Issuer's periodical accounting documents, approved by the competent corporate bodies (annual financial report, half-year financial report, interim reports on operations), the Report on Corporate Governance and Ownership Structure and documentation distributed at meetings with professional investors, analysts and the financial community.

They can also find the Company bylaws, documentation provided for Shareholders' Meetings, communications related to *Internal Dealing*, this Report on *corporate governance* and any other document whose publication on the Issuer's website is mandatory under the applicable regulations.

## 16. Shareholders' Meeting and Shareholders' rights

Pursuant to article 8 of the current Company bylaws, only shareholders with voting rights may take part in the Shareholders' Meeting. Legitimacy of participation in the Shareholders' Meeting and the exercising of voting rights is established via communication to the Company by the intermediary legally authorised to keep the accounts, on the basis of records in the accounts as at the end of the accounting day on the seventh open market day preceding the date set for the Shareholders' Meeting in single call, and received by the Company in accordance with the law. Shareholders with voting rights may, by law, be represented by proxy.

Ordinary and Extraordinary Shareholders' Meetings are convened, by law, at the Company's registered office or at any other location indicated in the meeting notice, provided that it is within Italy.

Pursuant to article 6 of the Company bylaws, Ordinary and Extraordinary Shareholders' Meetings may be held via videoconference or teleconference with participants in more than one location, whether adjoining or remote, provided that the principles of collective decision-making, good faith and parity of shareholder treatment are respected.

The agenda for the Shareholders' Meeting is established by the person exercising the power to call the meeting, pursuant to law and the Company bylaws, or, if the meeting is called at the request of the shareholders, on the basis of the items to be discussed indicated in the request.

Pursuant to article 9 of the Company bylaws, those with the right to participate in the Shareholders' Meeting, either on their own account or on behalf of others, may by law be represented by proxy. §Electronic proxy notification may be sent, as indicated in the meeting notice, either via a message to the certified electronic mailbox at the address provided in the notice, or via the dedicated section of the Company's website.

Pursuant to article 11 of the Company bylaws, in order for the constitution and resolutions of the Shareholders' Meeting (whether Ordinary or Extraordinary) to be valid, the provisions of law and the Company bylaws must be observed. As well as the provisions of law and the Company bylaws, the Shareholders' Meetings are conducted according to the specific Shareholders' Meeting Regulation as approved by the Shareholders' Meeting.

Article 127-ter of the TUF establishes that only shareholders with voting rights may submit questions on the agenda also before the Meeting. Questions received before the Meeting will be answered during it at the latest. The Company will have the opportunity to provide a single answer to questions having the same content. The notice of call shall specify a period within which the questions submitted before the Meeting must be received by the Company. The term cannot be more than three days prior to the Meeting date in first or single call, or five days if the notice of call contemplates that the Company provides an answer to the questions received before the Meeting. In this case, the answers are given at least two days before the Meeting by publishing them in a special section of the Company's website.

In accordance with Principle 9.P.1 of the Corporate Governance Code, the Directors are required to encourage and facilitate the broadest possible participation of shareholders at Shareholders' Meetings. Since Company Shareholders' Meetings have always been held on an orderly basis, the Board of Directors

does not currently deem it necessary to propose adoption of a specific regulation to govern the proceedings of Shareholders' Meetings.

The Directors and Statutory Auditors are also required to attend the Shareholders' Meetings, during which they are required to provide the shareholders with information regarding the Company in accordance with the rules governing price sensitive information.

As prescribed by article 10.2 of the bylaws, the Chairman of the Shareholders' Meeting is responsible for ascertaining the identity and legitimacy of those present, confirming that the Shareholders' Meeting was duly convened, and confirming the presence of a quorum of shareholders necessary for valid resolution. The Chairman is also required to moderate the proceedings, establish the voting procedures and verify the results of the votes.

At Shareholders' Meetings during the year, the Directors and Statutory Auditors, to ensure that shareholders took decisions falling within the scope of the meeting in an informed manner, provided shareholders with Company information in accordance with current regulations on price sensitive information.

A Meeting was held on 27 April 2012, which five Directors attended.

Pursuant to article 3, paragraph 2 of the bylaws, in the event of a resolution to extend the term of the Company, shareholders who do not approve the resolution will not have the right of withdrawal.

According to the provisions of article 29 of the bylaws, the net profits identified in the financial statements, minus the portion allocable to the legal reserve up to the legal limit, are allocated by resolution of the Shareholders' Meeting. Specifically, the Shareholders' Meeting, at the proposal of the Board of Directors, may resolve to create and increase other reserves.

With regard to shareholders' rights that are not described in this Report, see the applicable laws and regulations currently in force.

At its meeting of 07.03.13, pursuant to application criterion 9.C.4 of the Code, the Board did not find it necessary to propose to the Shareholders' Meeting amendments to the bylaws relating to the percentage established for the exercising of minority rights, insofar as, pursuant to article 144-*quater* of the CONSOB Issuer Regulation, for the submission of lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 14 and 26 of the Issuer's bylaws stipulate respective thresholds of 2.5% and 2% of the voting capital or any different percentage established or prescribed by legal or regulatory provisions. Note in this regard that, with resolution 18452 of 30 January 13, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's Board of Directors at 4.5% of the share capital, for the year ended 31 December 2012.

## 17. Other corporate governance practices

The Issuer does not use corporate governance structures other than those set out in the legal and regulatory standards described in this Report.

## 18. Changes since the End of the Reporting Period

Eurotech has not made any changes to the corporate governance structure during the year other than those specifically identified in this report.

TABLE 1 INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	No. of shares	% of the share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	35,515,784	100%	MTA/ STAR Segment	Every share entitles the shareholder to one vote. The rights and duties of shareholders are set out in articles 2346 et seq. of the Civil Code
Shares with restricted voting rights	0	0		
Shares with no voting rights	0	0		

SIGNIFICANT SHAREHOLDINGS			
Reporting party	Direct Shareholder	% of ordinary capital	% of voting capital
Dino Paladin	Dino Paladin	2.656 %	2.656 %
Roberto Siagri	Nextra Gen Srl	2.355 %	2.355 %
Roberto Siagri	Roberto Siagri	4.446 %	4.446 %
	Total	6.801 %	6.801 %
Finmeccanica SpA	Finmeccanica SpA	11.084 %	11.084 %

TABLE 2 STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

BOARD OF DIRECTORS											Control and Risks Committee		Remuneration Committee		Eventual Appointments Committee		Eventual Executive Committee		Committee for Related party transactions	
Office	Members	In office since	In office until	List (M/m)*	Exec.	Non-exec.	Indep. re. Code	Indep. re. TUF	(%) **	Number of other positions ***	****	**	****	**	****	**	****	**		
Chairman and Chief Executive Officer	Number of other positions ***	28/04/2011 First appointment: 30/09/1992	Approval of financial statements at 31/12/2013	M	X				100	8										
Vice Chairman and Chief Executive Officer	Giampietro Tecchiolli	28/04/2011 First appointment: 19/11/2001	Approval of financial statements at 31/12/2013	M	X				57	8										
Director Financial Reporting Manager	Sandro Barazza	28/04/2011 First appointment: 08/08/2008	Approval of financial statements at 31/12/2013	M		X			100	8										
Director and Lead Independent Director	Cesare Pizzul	28/04/2011 First appointment: 05/05/2008	Approval of financial statements at 31/12/2013	M		X	X	X	86	9	X	100	X	100			X	100		
Director	Maria Cristina Pedicchio	28/04/2011 First appointment: 28/04/2011	Approval of financial statements at 31/12/2013	M		X	X	X	71	6	X	75	X	100			X	100		
Director	Chiara Mio	28/04/2011 First appointment: 05/05/2005	Approval of financial statements at 31/12/2013	M		X	X	X	43	2	X	100	X	100			X	100		
Director	Giovanni Bertolone	28/04/2011 First appointment: 19/10/2010	Approval of financial statements at 31/12/2013	M		X			29	5										
Director	Giancarlo Grasso	28/04/2011 First appointment: 28/04/2011	Approval of financial statements at 31/12/2013	M		X			86	3										
Director	Giovanni Soccodato	28/04/2011 First appointment: 14/11/2008	Approval of financial statements at 31/12/2013	M		X			71	5										

## DIRECTORS DEPARTED IN THE REPORTING PERIOD

Name  
Surname

NB:

- \* This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 4.2 of the Report.
- \*\* This column indicates the respective percentage attendance of the Directors at meetings of the Board of Directors and the committees (no. of times attended/no. of meetings held during the effective mandate of the party concerned).
- \*\*\* This column indicates the number of Director/Auditor positions held by the party concerned at other companies.
- \*\*\*\* This column indicates the membership of the Board of Directors member to the Committee with an "X".

TABLE 3 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors							
Office	Members	In office since	In office until	List (M/m)*	Independence re. Code	** (%)	Number of other positions ***
Chairman	Claudio Siciliotti	28/04/2011	Approval of financial statements at 31/12/2013	M	X	83%	23
Statutory Auditor	Michela Cignolini	28/04/2011	Approval of financial statements at 31/12/2013	M	X	100%	20
Statutory Auditor	Giuseppe Pingaro	28/04/2011	Approval of financial statements at 31/12/2013	M	X	50%	3
Substitute Statutory Auditor	Lorenzo Ginisio	28/04/2011	Approval of financial statements at 31/12/2013	M	X		
Substitute Statutory Auditor	Michele Testa	28/04/2011	Approval of financial statements at 31/12/2013	M	X		

## STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD

Indicate the required *quorum* for presentation of the lists at the time of the last appointment 4.5%

Number of meetings held during the year 7

NB:

\* This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 14 of the Report.

\*\* This column indicates the percentage attendance of the Statutory Auditors at meetings of the Board of Statutory Auditors (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

\*\*\* This column indicates the number of Director/Auditor positions held by the party concerned at other companies