

**REPORT ON CORPORATE GOVERNANCE
AND OWNERSHIP STRUCTURE
at 31 December 2013**
(in accordance with art. 123-*bis* TUF)

AMPLIFON S.p.A.
www.amplifon.com

5 March 2014

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1. ISSUER PROFILE

Amplifon S.p.A. is an Italian multinational company with its registered office in Milan, world leader in the distribution, fitting, adaptation and personalization of hearing systems (hearing aids) designed to meet the needs of those suffering from hearing disabilities.

Founded in 1950, Amplifon also contributes to the development of detection and rehabilitation techniques, while also providing the ENT community with the assistance and know-how that are key to otology diagnosis and the management of computerised and integrated auditory systems.

The Group is active in 20 Countries: directly in Italy through Amplifon S.p.A., through its subsidiaries in France, Germany, Switzerland, The Netherlands, Belgium, Luxemburg, the UK, Ireland, Spain, Portugal, Hungary, Turkey, the USA, Canada, Australia, New Zealand, India and Egypt, and through an affiliate, of which Amplifon S.p.A. owns 49%, in Poland.

The hearing aids are fitted in dedicated points of sale, service centres and, to a marginal extent, at customers' homes. The points of sale are operated both directly and indirectly through agents and franchisees.

The company's mission is to help the hard of hearing to rediscover the joy of a full and active life through solutions which provide maximum hearing satisfaction in all of daily life's different situations.

Amplifon S.p.A.'s corporate governance is based on the traditional organisational model with Shareholders' Meetings, a Board of Directors and a Board of Statutory Auditors. Descriptions of these bodies are provided below and are found throughout this report.

The Shareholders' Meeting is convened at least once a year, in ordinary session, to approve the annual financial report, appoint and remove members of the Board of Directors and the Statutory Auditors, as well as approve their remuneration, and to also resolve on other matters falling under its prerogative as provided for by law. In extraordinary session, the Shareholders' meeting resolves to amend the Company's articles of incorporation and articles of association, as well as on other matters falling under its prerogative as provided for by law.

An auditing firm, listed in the special register kept by CONSOB, is responsible for carrying out the independent audit of the financial statements in accordance with the law.

2. INFORMATION ON OWNERSHIP STRUCTURE (pursuant to art. 123-bis, par. 1 TUF) at 31 December 2013

a) Structure of share capital (pursuant to art. 123-bis, par. 1, letter a), TUF)

The share capital at 31 December 2013 amounts to €4,482,015.64 broken down in

224,100,782 ordinary shares with a nominal value of €0.02 each, 217,200,782 of which are shares with voting rights and 6,900,000 shares with voting rights suspended pursuant to art. 2357 *ter*, paragraph 2 of the Italian Civil Code as they represent the Company's treasury shares.

There are no shares with limited voting rights at 31 December 2013.

	n. of shares	% of share capital	Listed (indicate the markets) / non listed	Rights and obligations
Ordinary shares	224,100,782	100%	MTA – STAR Segment	
Of which shares with limited voting rights	-			
Of which shares with no voting rights	6,900,000	3.079%		Treasury shares

The Company, as from financial year 2001, has implemented stock option plans which involve capital increases: the description of these plans can be found in the notes to the accounts in the annual report under Note 31, 'Stock Options – Performance Stock Grant' and in the information circular prepared as per art. 84-*bis* of the Issuers' Regulations, in the remuneration statement prepared as per art. 84-*quarter* of the Issuers' Regulations published on the Company's website in the sections "Investors/Financial Reports" and "Investors/Other Corporate Documents".

There are no other instruments granting subscription rights of newly issued shares in existence at 31 December 2013.

b) Share transfer restrictions (pursuant to art. 123-*bis*, par. 1, letter b), TUF)

At 31 December 2013 the following share transfer restrictions were in effect:

- 55,785,124 ordinary shares of Amplifon were pledged by the shareholder Ampliter N.V. in favour of the Bondholders, Trustee, Registrar, Transfer Agent, Principal Paying and Exchange Agent, Calculation Agent, Parallel Debt Creditor and Custodian (the Secured Parties), pursuant to a Deed of pledge executed on 14 November 2013 as part of Ampliter N.V.'s issue of senior secured bonds in the aggregate amount of €135 million, due in 2018, exchangeable into existing ordinary Amplifon shares;
- Beginning 5 November 2013 and for 90 days after the issue date (14 November 2013), Ampliter N.V. undertook not to dispose of any Amplifon shares.

c) Significant interests in share capital (pursuant to art. 123-*bis*, par. 1, letter c), TUF)

Based on the declarations received under art. 120 of TUF, the following shareholders hold significant interests in the Company's share capital at 31 December 2013:

Declarant	Direct shareholder	% of ordinary capital*	% of voting capital*
Ampliter NV	Ampliter NV	54.843	56.002
FMR LLC	FMR LCC	5.132	5.295
Tamburi Investment Partners S.p.A.	Tamburi Investment Partners S.p.A.	4.256	4.391
FIL Limited	FIL Limited	2.011	2.075

(*) The percentages refer to the share capital disclosed to CONSOB pursuant to art. 120 of T.U.F. With regard, specifically, to the majority shareholder Ampliter NV reference is made to the declaration dated 20/03/2012.

N.B. At 03/07/2013 Allianz Global Investors holds n. 5,842,601 shares equal to 2.945%. Allianz exercised the exemption provided for in art. 119-*bis*. 4 of the Issuers' Regulations.

At 31 December 2013 n. 55,785,124 ordinary shares of Amplifon or 24.89% of the share capital and 25.68% of the shares with voting rights had been pledged by Ampliter N.V. in favor of the Bondholders, Trustee, Registrar, Transfer Agent, Principal Paying and Exchange Agent, Calculation Agent, Parallel Debt Creditor and Custodian (the Secured Parties), pursuant to a Deed of pledge executed on 14 November 2013 as part of Ampliter N.V.'s issue of senior secured bonds in the aggregate amount of € 135 million due in 2018, exchangeable into existing ordinary shares of Amplifon.

d) Shares with special rights (pursuant to art. 123-*bis*, par. 1, letter d), TUF)

At 31 December 2013 there are no shares granting special rights of control.

e) Employee share ownership: exercise of voting rights (pursuant to art. 123-*bis*, par. 1, letter e), TUF)

No specific mechanisms for the exercise of voting rights under employee share ownership are provided for.

f) Restrictions on voting rights (pursuant to art. 123-*bis*, par. 1, letter f), TUF)

At 31 December 2013 the only limits on voting rights are those pursuant to art. 2357-*ter*, paragraph 2 of the Italian Civil Code (voting rights suspended) related to the Company's treasury shares as described in paragraph 2 a.

As part of the issue made by Ampliter N.V. of the senior secured bonds for a total aggregate amount of €135 million, the voting rights pertaining to the Amplifon shares pledged by Ampliter N.V. may be exercised by the latter unless Ampliter N.V. fails to pay the bondholders, or if any other default events occur as per the Deed of pledge, and the Secured Parties exercise the voting rights.

Furthermore, at 31 December 2013, n. 2,361,358 shares had been loaned by Ampliter N.V. as part of the same transaction. These shares (included in the percentages shown in the table found in item c) above) do not grant voting rights to Ampliter N.V..

As part of the above issue, for the period beginning 5 November 2013 and for 90 days after the issue date (14 November 2013), Ampliter N.V. undertook (i) to attend and abstain from voting in any Shareholders' Meetings of Amplifon S.p.A. during which the

issuance of shares of Amplifon S.p.A. or financial instruments granting the right to purchase and/or subscribe to shares of Amplifon S.p.A. or that can be converted or exchanged for these shares is submitted for approval; (ii) not to propose the issue of these shares or financial instruments during a Shareholders' Meeting of Amplifon S.p.A..

g) Shareholders' agreements (pursuant to art. 123-bis, par. 1, letter g), TUF)

At 31 December 2013 there are no known shareholder agreements pursuant to art. 122 of TUF.

h) Change of control clauses (pursuant to art. 123-bis, par. 1, letter h), TUF) and provisions relating to takeover bids (pursuant to art. 104, par. 1-ter, and 104-bis, par. 1)

In the course of their normal business, the Company and its subsidiaries may stipulate agreements with financial partners which, as is common practice in international contracts, include clauses which grant each of the parties the right to rescind or amend said agreements in the event the direct or indirect control of the parties themselves should change.

At 31 December 2013 a Eurobond issued by Amplifon S.p.A., which amounted to €275 million at 31 December 2013, maturing in 2018, the residual debt pertaining to a private placement expiring in 2016, which totalled USD 70 million at 31 December 2013, the residual debt pertaining to a second private placement made by the American subsidiary expiring between 2020 and 2025, which amounted to USD 130 million at 31 December 2013, contain, as is normally the practice in these kinds of financial transactions, change of control clauses in the event the controlling shareholder of Amplifon S.p.A. should change based on which the Company must advise the parties of same and the latter may request repayment.

i) Authority to increase share capital and authorizations to buyback shares (pursuant to art. 123-bis, par. 1, letter m), TUF)

i.1) authority to increase share capital

Pursuant to the powers granted by the Extraordinary Shareholders' Meeting held on 27 April 2006 pursuant to art. 2443 of the Italian Civil Code, on 28 October 2010 the Board of Directors resolved to increase share capital against payment in one or more instalments for up to a maximum amount of €150,000 through the issue of 7,500,000 ordinary shares of a nominal value of €0.02 per share, share with dividend rights, to be offered in subscription to employees of the Company and its subsidiaries without option rights pursuant to art. 2441, last paragraph, of the Italian Civil Code and art. 114-bis and art. 134, second paragraph, of Decree 58/98 and subsequent amendments, based on the strategic importance of the position held within the Group. Any board resolution to increase share capital as per the powers granted must be subscribed within the period indicated (at any rate, not after 31 December 2020) and the share capital will be considered increased by an amount equal to the subscriptions tendered at the expiration date.

For a detailed description of the stock option plans, please refer to the notes to the accounts in the annual report, specifically Note 31, 'Stock options-Performance Stock

Grant', and to the information circular prepared as per art. 84-*bis* of the Issuers' Regulations published on the Company's website in the 'Investors/Other Corporate Documents' section.

At 31 December 2013 no other authorisations were in place to increase the share capital or the issuance of securities holdings.

i.2) authorizations to buyback shares

No authorizations for the purchase of treasury shares were granted or in effect through the whole year 2013 nor at 31 December 2013.

At the close of financial year 2013 Amplifon held a total of 6,900,000 ordinary shares, equal to 3.079% of the share capital; these shares were already held at the close of financial year 2007 as part of the previous buyback programmes.

In 2013 no transactions involving the disposal of Amplifon's treasury shares purchased in prior years took place.

I) Co-ordination and direction activities (pursuant to art. 2497 *et seq.* of the Italian Civil Code)

The Company is not subject to direction or co-ordination by other parties.

It is opportune to point out that Anna Maria Formiggini, Sole Administrator of the direct Parent Company Ampliter N.V. and Chairman of the Board of Directors of the indirect Parent Company Amplifin S.p.A., is the non-executive Honorary Chairman of Amplifon S.p.A. and that Susan Carol Holland, Deputy Chairman of the indirect Parent Company of Amplifin S.p.A., is the non-executive Chairman of Amplifon S.p.A.

It is the Company's view that the mere presence of directors serving on the boards of both the Company and its parent companies is not to be construed as exercising control or co-ordination given the lack of involvement in operations.

Furthermore, none of the factors commonly recognized as indicative of exercising direction and co-ordination activities were found to exist with Amplifon S.p.A. and its parent company.

The information requested in art. 123-*bis*, first paragraph, letter i), "*agreements between the company and the directors and members of the Internal Control and Supervisory committees which call for indemnity in the event of resignation or dismissal without cause or termination following a takeover bid*" can be found in the Remuneration Statement published in accordance with art. 123-*ter* of TUF.

The information requested in art.123-*bis*, first paragraph, letter l), "*the norms governing nomination and replacement of directors and members of the Internal Control and Supervisory Committees, as well as amendments to the bylaws, if different from those provided for under the applicable laws and regulations*" can be found in the section regarding the Board of Directors found in this report.

3. COMPLIANCE (pursuant to art. 123-bis, par. 2, letter a), TUF)

The Company adopted the Corporate Governance Code issued in December 2011 as approved by the Corporate Governance Committee. The Corporate Governance Code is available on the Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) in the "Regulations/Corporate Governance" section.

Neither the Company nor its strategically relevant subsidiaries are subject to foreign legislation which could impact or influence the Company's corporate governance structure.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (pursuant to art. 123-bis, par. 1, letter l), TUF)

The Company is managed by a Board of Directors comprised of between three and eleven members, as resolved by shareholders.

The members of the Board of Directors are elected based on a list of candidates presented by the shareholders and/or a group of shareholders who own at least 2.5% of share capital (as per CONSOB Resolution n. 18775 dated 29 January 2014).

The lists presented must indicate the candidates in sequential numerical order and must be filed at the Company's registered office at least 25 days prior to the date of the Shareholders' Meeting in first call. The Company will also publish the lists on its website and in accordance with other modalities indicated in the CONSOB regulation issued pursuant to art. 147-ter, par. 1-bis of Legislative Decree 58/1998 at least 21 days prior to the Shareholders' Meeting.

Each shareholder who submits a list or is party to a list must submit the certificate issued by the authorized intermediary, by the legal deadline set for the Company's publication of said lists.

Based on the Company's Articles of Association, at least one of the members of the Board of Directors, or two if the Board is comprised of more than seven members, must meet the requisites for an independent statutory auditor set forth in the applicable norms and regulations.

Only those candidates included in lists presented by shareholders holding voting rights equal to half the amount required in order to be entitled to present lists will be considered.

Based on the Articles of Association the Board of Directors will be appointed in compliance with the current law governing gender equality rounding up the number of candidates belonging to the least represented gender in the event application of the quota criteria does not result in a whole number.

The Directors will be elected based on the lists submitted, the majority of votes obtained in the sequential numerical order in which the candidates appear on said lists. One Director, in possession of the requisite of independence pursuant to the law and in no

way connected, even indirectly, to the shareholders who submitted or cast more votes for the list, will be elected from the minority list on the basis of sequential numerical order and the majority of votes obtained.

The Directors are appointed for a maximum term of three years and may be re-elected. If one or more of the Directors should resign, for whatever reason, during their term, the Board of Directors will act in accordance with art. 2386 of the Italian Civil Code.

If one or more of the resigned Directors was included in a list containing candidates who were not elected, the Board of Directors will appoint substitute Directors based on the sequential numerical order of said list providing the candidates are still eligible for election and willing to accept the assignment.

In any case the Board will ensure that the total number of Independent Directors appointed complies with the law, including with respect to gender quotas.

In the event the exiting Director was an Independent Director, the Board will attempt, to the extent possible, to appoint the first of the non-elected Independent Directors included in the exiting Directors' list.

The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration. It meets at least once every three months and has adopted an organization and *modus operandi* which guarantee effective and efficient performance of its functions. The Board of Directors, including through its delegates, reports on a timely basis to the Board of Statutory Auditors on its work and on any transactions carried out by the Company and its subsidiaries having a significant impact on profitability, assets and liabilities or financial position; in particular, it reports on transactions representing a potential conflict of interests.

Succession planning

During the meeting held on 6 March 2013 the Board of Directors, pursuant to the Risk and Control Committee's proposal, approved the succession plan relative to the appointment of Executive Directors in the event of unexpected vacancies or expiration of the term.

Based on this procedure the Chairman of the Board of Directors and, if unable, the Risk and Control Committee, after consulting with the Chairman of the Board of Statutory Auditors, will:

- seek to understand the situation and decide which is more opportune: succession or a temporary appointment;
- inform the Directors and the Board of Statutory Auditors;
- call a Board of Directors' meeting in order to adopt the measures deemed opportune.

4.2. COMPOSITION (pursuant to art. 123-bis, par. 2, letter d), TUF)

At 31 December 2013 the Board of Directors was comprised as follows:

Name	Office held	In office since	List	Exec.	Non-exec.	Ind.	Indep. TUF	% BoD	Other appointments
Anna Maria Formiggini	Honorary Chairman	17/04/2013 ---- 19/02/2001	M		X			78	1
Susan Carol Holland	Chairman	17/04/2013 ---- 19/02/2001	M		X			100	1
Franco Moscetti	Chief Executive Officer (CEO)	17/04/2013 ---- 14/12/2004	M	X				100	3
Giampio Bracchi	Director	17/04/2013 ---- 24/04/2007	M		X	X	X	100	4
Maurizio Costa	Director	17/04/2013 ---- 24/04/2007	M		X	X	X	100	1
Luca Garavoglia	Director	17/04/2013 ---- 17/04/2013	M		X	X	X	78	2
Andrea Guerra	Director	17/04/2013 ---- 08/03/2011	M		X	X	X	78	6
Giovanni Tamburi	Director	17/04/2013 ---- 17/04/2013	M		X	X	X	100	6

THROUGH THE ORDINARY SHAREHOLDERS' MEETING HELD ON 17 APRIL 2013 THE BOARD OF DIRECTORS WAS COMPRISED AS FOLLOWS:

Name	Office held	In office since	List	Exec.	Non-exec.	Ind.	Indep. TUF	% BoD	Other appointments
Anna Maria Formiggini	Honorary Chairman	21/04/2010 ---- 19/02/2001	M		X			78	1
Susan Carol Holland	Chairman	21/04/2010 ---- 19/02/2001	M		X			100	1
Franco Moscetti	Chief Executive Officer (CEO)	21/04/2010 ---- 14/02/2004	M	X				100	3
Giampio Bracchi	Director	21/04/2010 ---- 24/04/2007	M		X	X	X	100	4
Maurizio Costa	Director	21/04/2010 ---- 24/04/2007	M		X	X	X	100	1
Andrea Guerra	Director	08/03/2011 ---- 08/03/2011	M		X	X	X	78	6
Umberto Rosa	Director	21/04/2010 ---- 26/04/2004	M		X	X	X	100	2

KEY**Office held:** Chairman, Deputy Chairman, CEO, etc...**In office since:** Date of first appointment**List:** indicated as M/m depending on whether the Director was elected on a majority list or a minority list (art. 144-*decies* of the CONSOB's Issuers' Regulations)**Exec.:** Marked if the Director qualifies as executive**Non exec.:** Marked if the Director qualifies as non-executive**Ind.:** Marked if the Director qualifies as independent under the Code's criteria**Indep. TUF:** Marked if the Director meets the independence qualifications established by par. 3, art. 148 of TUF (art. 144-*decies* of the CONSOB's Issuers' Regulations)**% BoD:** Indicates the Director's attendance record in percentage terms at Board meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Board meetings held during the year or after the Director's appointment)**Other appointments:** Indicates the total number of appointments held in other companies listed on regulated markets (in Italy or abroad), in financial, banking, insurance or large companies, identified on the basis of the criteria established by the Board of Directors

The professional characteristics of the Directors are described in the annual report in the section "Corporate Governance and personnel" (the annual report can be found on the Company's website in the section "Investors/Financial statements").

For a more detailed description of the criteria used to evaluate the independence of the Directors, please refer to Section 4.6 of this report.

The list of the other companies in which the Directors of Amplifon S.p.A. have other appointments can be found in Annex 1 of this report.

The members of the Board Committees formed as resolved on 17 April 2013 and their attendance records for the year are shown below:

Name	Office held	E.C.	% E.C.	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.C.	% R.C.C.
Susan Carol Holland	Chairman	n/a	n/a	n/a	n/a	M	100	M	100 (4/4)
Giampio Bracchi	Director	n/a	n/a	n/a	n/a			P	100 (4/4)
Maurizio Costa	Director	n/a	n/a	n/a	n/a	P	100		
Luca Garavoglia	Director	n/a	n/a	n/a	n/a	M	100	M	100 (4/4)
Andrea Guerra	Director	n/a	n/a	n/a	n/a	M	71		

THE BOARD COMMITTEES FORMED AND THE RELATIVE ATTENDANCE RECORDS UP UNTIL THE ORDINARY SHAREHOLDERS' MEETING HELD ON 17 APRIL 2013 ARE SHOWN BELOW:

Name	Office held	E.C.	% E.C.	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.C.	% R.C.C.
Susan Carol Holland	Chairman	n/a	n/a	n/a	n/a	M	100	M	100 (2/2)
Giampio Bracchi	Director	n/a	n/a	n/a	n/a			M	100 (2/2)
Maurizio Costa	Director	n/a	n/a	n/a	n/a	P	100		

Name	Office held	E.C.	% E.C.	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.C.	% R.C.C.
Andrea Guerra	Director	n/a	n/a	n/a	n/a	M	71		
Umberto Rosa	Director	n/a	n/a	n/a	n/a	M	100	P	50 (1/2)

KEY

n/a: not applicable

E.C.: Executive Committee; C/M for chairman/member of Executive Committee

% E.C.: Indicates the Director's attendance record in percentage terms at Executive Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Executive Committee meetings held during the year or after the Director's appointment to this committee)

N.C.: Nominations Committee; C/M for chairman/member of the Nominations Committee

% N.C.: Indicates the Director's attendance record in percentage terms at Nominations Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Nominations Committee meetings held during the year or after the Director's appointment to this committee)

R.A.C.: C/M: chairman/member of the Remuneration and Appointments Committee

% R.A.C.: Indicates the Director's attendance record in percentage terms at Remuneration and Appointments Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Remuneration and Appointments Committee meetings held during the year or after the Director's appointment to this committee)

R.C.C.: C/M: chairman/member of the Risk and Control Committee

% R.C.C.: Indicates the Director's attendance record in percentage terms at Risk and Control Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Risk and Control Committee meetings held during the year or after the Director's appointment to this committee)

Maximum number of appointments allowed in other companies

Pursuant to the Corporate Governance Code for listed companies issued by Borsa Italiana S.p.A. in March 2006, and updated in December 2011, on 19 December 2012 Amplifon S.p.A.'s Board of Directors defined general criteria for the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of Director: *'Non-executive Directors and the Chairman will not be able to assume directorships or statutory auditorships in more than 5 companies listed on regulated markets (including foreign markets), financial, banking, insurance or large companies, while Independent Directors may not assume more than 10 directorships or statutory auditorships'*. Please note that *'the limit on the number of appointments does not include subsidiaries nor the parent of Amplifon S.p.A.'*

Induction Programme

Following the appointment of the Directors specific meetings will be held with the company management during which information relating to the sector, the competitive environment, the Group structure, the Company and the organization will be provided.

4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, par. 2, letter d), TUF)

4.3.1 Activities carried out in 2013 and expected for 2014

During 2013 the Board of Directors met nine times on:

- 6 March
- 17 April
- 24 April
- 22 May
- 5 July
- 24 July
- 9 September
- 24 October
- 18 December

Meetings lasted an average of four hours each.

Four meetings have been scheduled for 2014, with the possibility of holding other ones in order to examine specific topics related to operations and to evaluate strategic development plans as, to date, the Company has not instituted a Strategic Committee insofar as the Company believes that this role can be filled through specific Board of Directors' meetings.

The Board meetings are called by the Chairman, or on the Chairman's behalf, by way of a registered letter sent to each Director and Standing Auditor at least five days prior to the meeting or, in urgent cases, via telegram, fax, or return receipt e-mail at least one day prior to the scheduled meeting date.

The Board of Directors may also be called, after having notified the Chairman of the Board itself, by the Board of Statutory Auditors otherwise two of its members.

The Board members usually receive the documentation relating to the meeting together with the summons for the Board of Directors' meeting, unless for reasons of confidentiality or lack of readiness it is not advisable or possible.

In 2013 the Chairman of the Board of Directors invited the Manager charged with preparing the Company's financial reports to attend all the meetings; several Group Market Directors were also invited to report directly to the Board on the micro and macro economic trends in the countries for which they are responsible, as were a few members of the Leadership Team and of the Management Team in order to discuss specific topics.

All other aspects relating to the functioning of the Board of Directors are governed by specific regulations, compliance with which is monitored by the Chairman with the assistance of the Board Secretary.

4.3.2 Role of the Board of Directors

The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the Company's purpose, with the exception of those powers attributed by law or the Articles of Association to the Shareholders' Meeting. In detail, the Board of

Directors:

- resolves on the opening and closure of secondary offices and the transfer of the registered office within the borders of Italy;
- indicates which of the Directors should represent the Company;
- resolves on reduction of share capital in the event of shareholder withdrawal;
- resolves on the amendments needed to be made to the Articles of Association in light of new norms and regulations;
- within the limits envisaged in art. 2420 *ter*, art. 2443 and art. 2436 of the Italian Civil Code, assumes decisions on mergers and spin-offs pursuant to art. 2505, art. 2505 *bis* and art. 2506 *ter* of the Italian Civil Code;
- examines and approves the strategic, operational and financial plans of the Company and the Group companies and periodically monitors implementation; defines the corporate governance system for the Company and the Group structure;
- defines the nature and level of risk compatible with the Company's strategic objectives;
- evaluates the adequacy of the general organizational and administrative structure of the Company and its strategically relevant subsidiaries put in place by the Chief Executive Officer, particularly with regard to and on an annual basis, the adequacy, efficiency and effective functioning, of the internal control and risk management systems, and the management of conflicts of interest;
- grants and revokes the Chief Executive Officer's powers, defining the limits and means of operation, without prejudice to the powers reserved exclusively for the Board pursuant to art. 2381 of the Italian Civil Code, as well as in relation to art. 20 of the Articles of Association;
- determines, following the advice of the Remuneration and Appointments Committee a remuneration policy for the Directors, the Key Managers and the Head of Internal Audit; determines, after examining the proposals of the Remuneration and Appointments Committee and consulting the Board of Statutory Auditors pursuant to art. 2389. par. 3 of the Italian Civil Code, the remuneration of the Chief Executive Officer and the other Directors holding particular offices, including as members of Board committees, as well as, in the event the shareholders have not done so, the breakdown of the Board members' global compensation;
- evaluates the Company's general performance, paying particular attention to the information received from the executive Directors, and periodically comparing the results achieved with those forecast;
- examines and approves the Company's and its subsidiaries' operations, in case such operations have a significant impact on the Company's profitability, assets and liabilities or financial position, paying special attention to situations in which one or more Directors have a direct or indirect (through third parties) interest and, more in general, transactions involving related parties; toward this end establishes the general criteria to identify relevant transactions;
- evaluates, at least once a year, the size, composition and performance of the Board of Directors and its committees and may provide opinions about the profile of the professionals that should serve on the Board;
- evaluates the need to adopt a succession plan for the Chief Executive Officers;
- provides information in the report on corporate governance:
 - on the composition of the Board, indicating, for each member, the

- qualifications, office held within the Board, the main professional experiences, as well as how long the office has been held;
 - on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member;
 - on the principal characteristics of the internal control and risk management system expressing the Board's opinion as to the adequacy and efficacy of the latter with respect to Group's characteristics and risk profile;
- evaluates any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code authorized by the shareholders in light of organizational needs pointing out any critical areas to the shareholders during their next meeting. Toward this end, each Director will inform the Board, upon accepting his/her appointment of any activities carried out which could be considered in competition with the Company and, subsequently, of any relevant changes in this regard;
- provides the shareholders with information about the activities carried out and planned and works to ensure that the shareholders receive the information needed to be able to make informed decisions during Shareholders' Meetings. All the Directors usually attend the Shareholders' Meeting and any absences must be justified;
- assesses whether or not it is opportune, in the event of significant changes in the Company's market capitalization or in the composition of its shareholders, to propose that shareholder amend the Articles of Association with regard to the percentages needed to mobilize shares and the steps taken to protect minority shareholders.

During the meeting held on 17 April 2013, the Board allocated the overall remuneration approved, on the same date, by the Shareholders' Meeting to its individual members.

The Board also resolved to pay the Independent Directors, in the event they should be called upon to chair one of the committees instituted by the Board or the Supervisory Board, an additional fee of €25,000 for each chairmanship or, in the event they are called upon to serve on one of the committees instituted by the Board or the Supervisory Board, an additional fee of €15,000 for each membership.

To be noted that the above additional fees have no impact on the overall remuneration approved by the Shareholders' Meeting insofar as they are not considered as being in addition to said amounts.

The Board, in all of the meetings dedicated to examining the yearly and periodic accounting records, also looks at the reports on operations of each single subsidiary and the Group as a whole presented by the Chief Executive Officer.

With the resolution dated 17 April 2013, the Board of Directors determined the powers of the Chief Executive Officer and the limits on the exercise of powers which should be exercised in accordance with the guidelines approved by the Board of Directors, as well as the forecast investments and expenses indicated in the budgets approved by the Board of Directors.

Toward this end the Chief Executive Officer was granted single signatory powers for an

amount of up to €10 million per transaction, as well as for transfer of funds, without limits, between the Company's bank accounts.

The Chief Executive Officer may also exercise powers relating to bank loans and lines of credit in joint signature with the Group's CFO for an amount of up to €20 million per transaction, as well as transfer of funds, without limits, to subsidiaries and associates; in joint signature with the Chief HR Officer or a member of the Board of Directors, the Chief Executive Officer may stipulate, take disciplinary action relating to, or terminate any employment contract with a company executive.

The Chief Executive Officer may also carry out extraordinary transactions by executing the necessary deeds and contracts for an amount of up to €10 million per transaction subject to the approval of the Board of Directors for which these sorts of transactions are reserved.

With the resolution dated 17 April 2013, the Board of Directors also granted the General Manager single signatory powers for an amount of up to €10 million per transaction to the extent that the transactions are in accordance with the guidelines, the forecast investments and budgets approved by the Board of Directors.

During the meeting held on 24 October 2012, the Board of Directors approved the Regulations for related party transactions issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010. Please refer to Chapter 12 below for information on "Directors' interests and related party transactions".

The Risk and Control Committee, with the support of the Head of Internal Audit, prepared a report summarizing the interviews conducted with the members of the Board of Directors regarding the evaluation of the Board's composition and performance.

This report was submitted to the Board during the meeting held on 18 December 2013 and the comments included in the report were shared with those present, underlining the areas of improvement highlighted by the survey.

The Shareholders' Meeting did not authorise any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code.

4.4. EXECUTIVE BODIES

4.4.1 Chief Executive Officers

To date the Company has deemed it sufficient to appoint a single Chief Executive Officer in the person of Franco Moschetti, who also serves as the General Manager.

During the meeting held on 17 April 2013 the Chief Executive Officer/General Manager was granted the powers described above in section 4.3.2.

The Chief Executive Officer reported to the Board every three months on the activities carried out in order to fulfil his duties.

4.4.2 Chairman of the Board of Directors

The Chairman acts in accordance with the law and the Company's Articles of Association, without operational powers and does not have a specific institutional role

in determining Company strategies.

Reporting to the Board

Periodically, usually at least every three months, the Chief Executive Officer reports to the Board on the most significant events which occurred within the Group and on the market conditions which could influence operations.

Furthermore, the heads of the various subsidiaries present in the markets where the Group operates are, as deemed appropriate, invited to present to the Board information regarding each subsidiary's operation and the reference markets (please also refer to Section 4.3.1).

4.5. OTHER EXECUTIVE DIRECTORS

The Chief Executive Officer is the only Executive Director.

If deemed opportune, managers from the Leadership Team and from the Management Team may also be called upon to discuss specific transactions with the Board of Directors.

4.6. INDEPENDENT DIRECTORS

In the meeting held on 18 December 2013, the Board of Directors evaluated the qualifications of Directors Giampio Bracchi, Maurizio Costa, Luca Garavoglia, Andrea Guerra and Giovanni Tamburi as Independent Directors.

This evaluation was carried out on the basis of the criteria outlined in the Code and the prudent assessment of the Board with the abstention, from time to time, of the Director being evaluated. More in detail, the Board examined, on the basis of information made available and the declarations made by the persons concerned, the relationships which could potentially compromise independence.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members, informing the Company of the following findings which will be included in the annual report on supervisory activities:

“The Board of Statutory Auditors verified correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of the directors Giampio Bracchi, Maurizio Costa, Luca Garavoglia, Andrea Guerra and Giovanni Tamburi. The assessment criteria were found to be adequate.”

On 18 December 2013 a meeting of the Independent Directors took place in order to discuss the Group's risk management and monitoring and, in general, the internal control system, including the quality and the functioning of the corporate governance and the qualifications of the Independent Directors.

4.7. LEAD INDEPENDENT DIRECTOR

Even though the conditions provided by art. 2.C.3. of the Code, on 17 April 2013 the

Board of Directors, during the first meeting held following its appointment by the Shareholders' Meeting, on the same date, appointed Giampio Bracchi, non-executive independent director, Lead Independent Director.

Giampio Bracchi acts as a point of reference for the non-executive Directors (in particular the Independent Directors) to enhance their contribution and the performance of the Board itself. The Lead Independent Director works with the Chief Executive Officer in order to ensure that the Directors receive adequate information in a timely manner. The Lead Independent Director may also call, at his own initiative or at the request of other Directors, special meetings for just the Independent Directors to discuss issues considered of interest in relation to the operation of the Board or management of the business.

The Lead Independent Director, in addition to chairing the meetings of the Independent Directors, carried out his activities by attending meetings of the Risk and Control Committee as well as the Supervisory Board.

5. TREATMENT OF CORPORATE INFORMATION

On 24 October 2012 the Board updated the 'Procedures for the internal management and external disclosure of company documents and information, with particular reference to price sensitive information' approved on 15 March 2007.

The procedures can be found on the corporate website in the "Investors/Corporate Governance/Statutory and codes' section".

6. BOARD COMMITTEES

(pursuant to art. 123-bis, par. 2, letter d), TUF)

On 17 April 2013 the Board of Directors appointed the Risk and Control Committee, and the Remuneration and Appointments Committee, while it was deemed unnecessary, for the moment, to appoint a Nominations Committee as the functions are attributed to the above mentioned Remuneration and Appointments Committee as provided for in the comment to art. 4 of the Corporate Governance Code. As described in Item 4.3.2 above, committee members are to receive a supplementary fee in addition to the overall remuneration approved by the Shareholders' Meeting. The Board also indicated that the committees were to perform their activities in accordance with the guidelines found in the Corporate Governance Code.

The committees are comprised of three non-executive Directors, the majority of which are independent, and minutes are taken at the meetings. In order to perform their duties, the committees may access all information and Company systems as deemed necessary and they may invite non-members to attend meetings.

The Remuneration and Appointments Committee and the Risk and Control Committee have a budget which is approved by the Board and have the power to make expenditures

if deemed necessary.

7. NOMINATIONS COMMITTEE

Pursuant to the amendments made to the Corporate Governance Code approved in December 2011 by Borsa Italiana's Committee for Corporate Governance, on 19 December 2012 the Board of Directors, for the moment, deemed unnecessary to form a Nominations Committee, including on the basis of the results risen during the self-evaluation process on the well-balanced Board composition itself and on the professional contents acquired, attributing the functions to the Remuneration Committee as provided for in the comment to art. 4 of the Corporate Governance code. During the meeting held on 17 April 2013 the Board, therefore, resolved to form a Remuneration and Appointments Committee, in accordance with the requirements for the composition of both Committees, with the duties described in art. 5 and art. 6 of the Corporate Governance Code. More in detail:

- a) to provide the Board of Directors with opinions about the size and composition of the Board itself and recommendations on the professional profiles of the Board members whose presence in the Board is deemed opportune; to provide opinions on the maximum number of assignments of a Director and a Statutory Auditor deemed compatible with serving efficiently as a Company's Director of the Board; to provide opinions relating to any exercise of the powers granted by the Shareholders' Meeting, in general and prudently, according to the exception to the non-compete clauses provided for in art. 2390 of the Italian Civil Code;
- b) to propose to the Board of Directors candidates to act as Directors in the event it is necessary for the Board to coopt a director to substitute an Independent Director;
- c) to provide the Board of Directors with a remuneration policy of the Directors and the Executives with strategic responsibilities.

8. REMUNERATION COMMITTEE

Please refer to the **Remuneration Statement**

Part 1

Chapter 1 "Governance"- Section 1.3 "Remuneration Committee".

9. DIRECTORS' COMPENSATION

Please refer to the **Remuneration Statement**

Part 1

Chapter 4 "Directors' Compensation";

Chapter 5 "Compensation of the Chief Executive Officer and the General Manager";

Chapter 6 "Compensation of executives with strategic responsibilities".

10. RISK AND CONTROL COMMITTEE

10.1. Composition and duties of the Risk and Control Committee (pursuant to art. 123-bis, par. 2, letter d), TUF)

After having appointed the Directors during the meeting held on 17 April 2013, the Board of Directors also formed a Risk and Control Committee which consists of:

- Giampio Bracchi: Chairman, non-executive Independent Director;
- Susan Carol Holland: non-executive Chairman;
- Luca Garavoglia: non-executive Independent Director.

The current members were found to possess the qualifications deemed necessary to fulfil the committee's duties as outlined in the Code.

In order to perform its tasks, the Risk and Control Committee works with the Group's Head of Internal Audit, Paolo Tacciarina, the Company's Head of Internal Control appointed as per the Chief Executive Officer's recommendation in March 2005.

Furthermore, in order to carry out its "internal audit" activities, the Committee may engage KPMG Advisory S.p.A. as a 'co-sourcer', under the supervision of the Head of Internal Audit.

As indicated in Chapter 6, the Risk and Control Committee submits a budget to the Board and has the power to make expenditures as deemed necessary.

In 2013 the Risk and Control Committee met on six occasions, distributed evenly throughout the year:

- 5 February;
- 26 February;
- 26 June
- 18 July;
- 21 October;
- 11 December.

Minutes are taken regularly during the meetings and filed with the office of the Head of Internal Audit.

All the members of the Risk and Control Committee attended the meetings, with the exception of one member on one occasion. The Chairman of the Board of Statutory Auditors or who on his behalf also attended, as did the Head of Internal Audit. The meetings lasted on average more than two hours.

In order to encourage a reciprocal exchange of information and in light of discussion on specific issues, the Chief Executive Officer was invited to attend the meetings; in

certain instances the group's CFO and Manager charged with preparing the company's financial reports was also invited to attend, as were several consultants and Company managers.

In 2014 the Risk and Control Committee is expected to meet at least five times.

10.2. Functions of the Risk and Control Committee

The Risk and Control Committee assists the Board of Directors with matters related to internal control and risk management, while also monitoring the adequacy and proper working of the internal control system.

The Risk and Control Committee:

- assists the Board in the assessment of the adequacy and proper working of the Company's internal control system and risk management expressing its opinion on specific aspects;
- examines and approves the proposals presented by the management, the Head of Internal Audit and the independent auditors for improving the structure of the economic and financial reporting needed to monitor and fully represent the Company's performance;
- express an opinion regarding the appointment, dismissal, compensation and hiring of resources to be dedicated to Internal Audit;
- monitor the independence, adequacy, efficacy and efficiency of Internal Audit;
- assesses the work programme prepared by the Head of Internal Audit and receives his periodic reports;
- assesses any findings emerging from the periodic reports prepared by the Head of Internal Audit based on the information provided by the Board of Statutory Auditors and by its individual members;
- reports to the Board of Directors, at least once every six months, at the time the annual and half-year financial statements are approved, on its activity and on the adequacy of the internal control system;
- assesses, along with the Manager charged with preparing Company's financial reports and the independent auditors, the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;
- assesses the work of the independent auditors, also as regards the independence of their opinions, and the results thereof as set out in the independent auditors' report and their letter of recommendations;
- assesses the proposals presented by the independent auditing firm in order to obtain the relevant audit engagement;
- performs the other duties entrusted to it by the Board of Directors, particularly as regards to relations with the independent auditors.

In 2013 the internal control activities, coherently to the functions described above, were focused on the following activity areas:

- compliance with the Corporate Governance Code and with any new norms and regulations relating to Corporate Governance;
- guidance and supervision of the internal audit activities particularly with regard to maintaining an adequate Group control system, as well as the constant monitoring of the main risks, debt and the financial position;

- constant check of the activities involving the application of the Internal Organizational Model pursuant to Legislative Decree 231/2001;
- support to the Manager charged with preparing the Company's financial reports;
- other supervisory activities which, directly or indirectly, are aimed at obtaining information relating to the internal control system (including, for example, meetings with Company managers and consultants).

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control system consists in the set of rules, procedures and organizational structures designed to ensure, through a proper identification, assessment managing and monitoring of the primary risks process, that the business is run safely, correctly and in line with the objectives agreed upon. This internal control system helps guarantee the safeguarding of the Company's assets, the efficiency and efficacy of the Company's operations, the reliability of financial information as well as compliance with laws and regulations.

The Board of Directors is responsible for the internal control system and toward this end works with the Risk and Control Committee, the Chief Executive Officer and the Head of Internal Audit.

The Board of Directors provides the guidelines for the internal control and risk management system in a specific document which summarizes and describes the individuals involved, the different components and the mode of operation along with the criteria to be used to assess the system as a whole.

During the year the Board, based also on the contribution of the Risk and Control Committee and the Head of Internal Audit, expressed a positive opinion on the adequacy, efficiency and actual functioning of the internal control system through internal audit's activities, meetings with the Company management, the Board of Statutory Auditors and the independent auditors; examined the reports presented by the Chairman of the Supervisory Board, pursuant to Legislative Decree 231/2001, whose purpose is also to verify that the internal control system works properly, albeit for different reasons.

It should also be noted that during the meeting held on 18 December 2013, the Board acknowledged and assessed the Group's risk map on the basis of a report entitled "Group Risk Reporting 2013" in which there was a summary and an evaluation of the Group's primary risks selected through processing the totality of the risks communicated by each of the different Countries.

The **main features of the existing internal control and risk management systems in relation to the financial reporting process pursuant to art. 123-bis, par. 2b), TUF** are discussed below.

Introduction

Amplifon, in line with the most advanced management systems and best practices for

the design and implementation of internal control systems, treats risk management as one of its highest priorities.

Every business has risks to face and risk management is even more important in a constantly changing business environment characterized by recessionary pressures.

Amplifon's Management carefully considers the ratio risks / opportunities, channelling the resources toward the best possible balance, coherently with the threshold of risk defined as acceptable.

Risks are appraised for the Group as a whole and at a local level (countries where the Group is present), through regular risk assessment exercises involving the entire Group's management team, through the self-evaluation procedure. The risks are then prioritized in relation to the Group's objectives and those of its subsidiaries, and in consideration of the probability/impact matrix of the residual risks.

Accordingly, systems are set up to monitor the underlying factors of risk, in order to mitigate the risks themselves and take advantage of business opportunities arising from the ability to anticipate competitive dynamics.

Risk management and risk monitoring activities, therefore, complete the Group's risk analysis activities on an ongoing basis.

For ease of assessment, risk factors are grouped into homogeneous categories: those originating outside the Company, those stemming from Amplifon's own organization and those of a more specifically financial nature.

The internal control and risk management system in relation to the financial reporting process should, therefore, be viewed not as an independent system, but as part of the overall risk management apparatus.

Below is a description of the main features of Amplifon's internal control and risk management systems in relation to the financial reporting process, i.e. the process leading to preparation and public disclosure of the annual financial report and of the quarterly and half-year reports.

Main features of the existing internal control and risk management systems in relation to the financial reporting process

The Amplifon Group, by the Manager charged with preparing the Company's financial reports, has set up a system of administrative and accounting procedures for the preparation of the separate and consolidated financial statements and of the interim financial reports.

The system was designed and implemented with the help of a leading consulting firm and is based on the framework of the "Committee of Sponsoring Organizations of the Treadway Commission" (CoSO). According to that framework, the internal control system is viewed as a process involving all business functions, which thus provides reasonable assurance as to:

- the effectiveness and efficiency of operations;
- the reliability, accuracy and timeliness of financial reporting;
- compliance with laws and regulations.

The model adopted, after preliminary activities and initial implementation, calls for a set of cyclical activities that keep it up to date, in good working order and correctly applied

Phases of the internal control and risk management processes in relation to the financial reporting process

In the initial “scoping” phase, the single account lines of the consolidated financial statements were studied to identify material and significant accounts, their underlying processes, and the specific Group companies on which to develop and implement the model.

The outcome of the “scoping” phase is reviewed each year to make sure it is adequate and provides the necessary coverage in light of the constant changing perimeter of consolidation and of the significance of the single items of the annual report.

For purely operational reasons, and to ensure the consistency and governance of the entire system, the implementation of the administrative and accounting procedure system was implemented gradually: starting with Amplifon S.p.A. and then expanding the activities, step by step, to the other Group companies found to be material. Within the individual companies the model was also implemented gradually, again for operational reasons only. It initially addressed certain cycles, and eventually reached full coverage of the processes defined as “in-scope”.

Currently the process has been carried out in all the countries deemed material based on the qualitative and quantitative criteria described above.

For each Company and each process defined as “in-scope”, the following steps are in place:

- Narrative mapping of the process with identification of key risks and controls to ensure:
 - completeness, i.e. that all transactions and data are entered and processed within the systems so that they are duly reflected in the financial statements;
 - accuracy, i.e. that the transactions and data are entered and processed correctly and neutrally so that the financial statements provide precise, objective information;
 - cut-off, i.e. that all transactions and data are entered for the period to which they pertain so that the financial statements represent the Company's and the Group's real economic and financial situation with respect to the period under review;
 - promptness, i.e. that all transactions and data are processed speedily so that the financial statements can be prepared correctly by the legal deadline;
 - reliability, i.e. that the information managed is fair, consistent with the accounting standards used and in line with the legal and regulatory standards.
- Assessment of controls design in respect of each objective listed above; identification of principal gaps.
- Identification of actions and remediation processes in order to implement any compensating controls, or process modifications, ensuring proper control of the areas in question.
- Preparation of a risk control matrix that summarizes:
 - the sub-process;
 - the risk;

- the objective of the control;
 - the description of the control;
 - the type of control (preventive, detective, manual, automatic);
 - the possibility of fraud risk, if any;
 - IT support for the control;
 - the frequency (daily, monthly, quarterly, yearly);
 - the person in charge of the control;
 - the gap identified in the control, if any.
- On the basis of the Risk Control Matrix, at least once a year and under the coordination and supervision of the Manager charged with preparing the Company's financial reports, regular checks are performed by headquarter personnel, internal audit personnel or the external consultant to make sure the tests are being carried out.
 - The initial narrative of the process then evolves into an actual Company procedure, which is reviewed at least once a year to make sure it reflects any changes that have occurred.
 - The results of the tests, kept on file with the Consolidated Financial Statements function, and the progress reports of activities underway at individual Group companies, are analysed each quarter by a Steering Committee made up of:
 - the Manager charged with preparing the Company's financial reports
 - the Head of Internal Audit
 - the Group Accounting & Finance Director

When data is submitted for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the country or company, the Market Directors and the CFOs of each country send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records, as well as compliant with the accounting standards used and with all laws and regulations, and that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

Bodies and positions involved

Board of Directors: issued the regulations for the Manager charged with preparing the Company's financial reports and is brought regularly up to date on the activities of the Internal Control Committee.

Manager charged with preparing the company's financial reports: through a specially appointed team, plays a proactive role in the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, and periodically checks the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations and, together with the Head of Internal Audit and the Group Accounting & Finance Director, defines the necessary actions to be taken.

Head of Internal Audit: works with the Manager charged with preparing the Company's financial reports on the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, updates the Steering Committee on tests performed at the request of and to support the Manager charged with preparing the Company's financial reports, and

periodically checks the status of operations and the results of tests performed by external consultants or headquarter personnel. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Group Accounting & Finance Director.

Group Accounting & Finance Director: coordinates the implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, oversees testing at foreign affiliates, and updates the Steering Committee on the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Head of Internal Audit and defines the necessary actions to be taken.

Market Directors and Finance Directors of the subsidiaries: oversee proper implementation of the administrative and accounting procedures defined in the model and, upon submission of data for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the Country or the company, send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records and compliant with the accounting standards used and with all laws and regulations, and confirming that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

Company-level manager: a manager has been appointed, at each material subsidiary, to serve as the focal point for the implementation and progressive maintenance of the model.

Process owner: for each procedure, a process owner is appointed to oversee its ongoing progressive maintenance.

11.1. EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Chief Executive Officer oversees the planning and operation of the Internal Control and Risk Management System (*Sistema di Controllo Interno e di Gestione dei Rischi* or 'SCIGR'), along with the implementation of the system and identification of the primary business risks.

The responsibilities of the director in charge of the SCIGR are outlined in the document "Board of Directors – Role, Organization and Mode of Operation" and accurately reflect the relative provisions found in the Corporate Governance Code (Application criteria 7.C.4).

During the year the Chief Executive Officer, in his capacity as director in charge of the SCIGR, activated channels of communication and worked together with the Head of Internal Audit and the Risk and Control Committee.

As mentioned above, the Chief Executive Officer works with the Head of Internal Audit and Company's divisions in order to identify the Company's primary risks and monitors the Internal Control System's existing set of procedures and rules which comprise the internal control system with regard to the operating conditions, laws and regulations.

11.2. HEAD OF INTERNAL AUDIT

The Board of Directors, as per the Chief Executive Officer's recommendation, appointed the Group Risk and Compliance Officer, Paolo Tacciarina, the Company's Head of Internal Audit (formerly Internal Control Officer). As a formality, the proposal was also submitted to the Risk and Control Committee.

The Head of Internal Audit's compensation was established based on company policies and on the Remuneration and Appointments Committee's recommendations and approved by the Board of Directors.

The Head of Internal Audit reports to the Board of Directors and reports on his activities to the Risk and Control Committee which oversees his activities, monitoring the independence, adequacy, efficacy and efficiency of his operations.

The Head of Internal Audit also interacts with the Board of Statutory Auditors and the Director in charge of the internal control and risk management systems in order to ensure that his duties are fulfilled consistently and comply with the requirement for independence in line with the Company's corporate governance system and the Corporate Governance Code.

The Head of Internal Audit is not responsible for any operations and does not report to the head of any operational area.

The Head of Internal Audit must verify that the internal control and risk management system is adequate, fully operational and functional:

- carries out and facilitates the activities needed to identify, assess and manage the Company's risks;
- proposes to the Risk and Control Committee and, then, to the Board of Directors, an internal audit plan to carry out evaluation activities at the Group's companies in order to ensure that the company's risks are being properly monitored in line with the best practices, including the recommendations found in the Corporate Governance Code;
- meets periodically with the Board of Statutory Auditors and the Independent Auditors;
- oversees and facilitates compliance with the Corporate Governance Code and the functioning of the corporate governance;
- carries out, coordinates and facilitates the activities linked to the implementation of the Internal Organisational Model adopted pursuant to Legislative Decree 231/2001;
- offers autonomous and independent assistance to the Manager charged with preparing company's financial reports.

Periodically prepares reports on the work carried out which are presented to the Risk and Control Committee, the Board of Statutory Auditors and the Director in charge of the internal control and risk management system, as well as assisting the Risk and Control Committee with the preparation of the periodic reports for the Board of Directors on the internal control system.

Pursuant to the 'Supervisory Board Regulations', the Head of Internal Audit is also a member of the Supervisory Board.

In order to fulfil his duties, the Head of Internal Audit has access to all the information

deemed useful as well as the resources and means included in the Risk and Control Committee's budget as per Chapter 6 and has, after obtaining an initial estimate, the power to make expenditures as deemed necessary.

The Internal Audit Plan, approved by the Board of Directors, is carried out by the Head of Internal Audit in collaboration with the consulting company KPMG Advisory S.p.A., the co-sourcer.

The Head of Internal Audit works on internal orientation, planning, raising awareness and supervision while the operations are carried out by the consultants who also guarantee a direct, professional presence in all the different countries where the Group is active.

The Internal Audit Plan is prepared based on the results of the Group's risk mapping, on the indications provided by the managers and on any organizational changes that have taken place; it also includes the follow-up activities relating to the work carried out in prior years.

11.3. ORGANIZATIONAL MODEL pursuant to Legislative Decree 231/2001

On 14 March 2005 the Board of Directors resolved to adopt an Internal Organizational Model ("the Model") in accordance with the recommendations of Decree 231/2001 which has made companies administratively responsible in criminal proceedings for certain types of crimes committed by directors, managers or employees in the interests of or to the benefit of the companies themselves.

The Model was prepared with the purpose of preventing the committing of crimes envisaged under the Legislative Decree and is based on the guidelines for Organizational Models issued by *Confindustria* (the Federation of Italian Industrialists) and other industry associations.

The Model consists of a general and an operational part. The general part sets out the guiding principles underlying the conduct of company transactions, describes how the Supervisory Committee is formed and works and describes the penalties. The operational part includes the procedures to be used to control the Company's activities, including the way of carrying out certain "sensitive" activities.

The model's adoption is a way for fostering the conduct of the company activities in accordance with the principles of fairness and transparency in order to safeguard the company's image, the work of its employees and collaborators, while, at the same time, fostering the achievement of the greatest efficiency. The Organizational Model is, by definition, dynamic and for this reason is continuously updated: in the current version, approved by the Board of Directors on 25 July 2012 and updated on 18 December 2013, the most sensitive activities include crimes against public administrations, corporate crimes and market abuse.

The Supervisory Board, comprised of two independent Directors and Head of Internal Audit, in 2013 met four times:

- 26 February;
- 18 July;

- 21 October;
- 11 December.

11.4. INDEPENDENT AUDITORS

The Shareholders' Meeting held on 21 April 2010 resolved to grant the assignment for the financial audit of the parent company and consolidated financial statements of Amplifon S.p.A. to the company PricewaterhouseCoopers S.p.A. for the nine year period 2010-2018.

11.5. MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS

The company's Articles of Association call for the Board of Directors to appoint a Manager charged with preparing company's financial reports, subject to the unbinding opinion of the Board of Statutory Auditors. The Manager charged with preparing company's financial reports must possess certain professional requisites or precisely three years of management experience in the field of accounting, finance and control with the Group's companies or other listed companies.

In the meeting held on 25 June 2007 the Board, after having received a favourable opinion from the Board of Statutory Auditors, appointed the group's CFO, Ugo Giorcelli, Manager charged with preparing company's financial reports and approved the "Rules for the Manager charged with preparing company's financial reports" in the subsequent meeting held on 12 September 2007. These rules govern the responsibilities, the activities, the relationships with other corporate divisions, the powers and means of the Manager charged with preparing company's financial reports in accordance with proven best practices.

11.6. COORDINATION AMONG THE PERSONNEL INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors, prepares and approves the document "Guidelines for the Internal Control and Risk Management System" which, indicates the objectives of the internal control and risk management system, as well as describes the personnel and bodies involved, inside and outside of the Company, and describes their responsibilities and mode of interaction.

The Director in charge of the Internal Control and Risk Management System is in charge of the implementation of the guidelines stated by the Board of Directors.

12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

During the meeting held on 24 October 2012, the Board of Directors approved a new "Regulations on related party transactions" issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010, designed to define definitions and procedures related to the identification, instruction, approval and execution of the Related Party Transactions entered into by the Company, either directly or through its direct or indirect Italian or foreign Subsidiaries.

The document is available on the company's corporate website (www.amplifon.com) and may be accessed by clicking on the following link:
http://www.amplifon.com/wps/wcm/connect/english_com/hearing_solutions/investors/corporate_governance/statutory_and_codes/.

The Regulations adopted by the Board of Directors are designed to ensure the real transparency, as well as the substantive and procedural fairness criteria of any related party transactions in accordance with current norms and regulations and, in particular, with the CONSOB Regulations.

Please note that the Company, in light of its characteristics, structure, size, business and internal organization, deemed it opportune to:

- not select other related parties subject to the procedures defined herein;
- not define materiality thresholds lower than those indicated in the CONSOB Regulations for the definition of material related party transactions;
- not let the Shareholders' Meeting approve transactions underway in the event the Independent Directors' Committee issues a negative opinion;
- without prejudice to mandatory financial and accounting disclosures called for under applicable laws and regulations, not apply the Regulations to:
 - decisions relating to stock option plans approved during the Shareholders' Meetings in accordance with art. 114-*bis* of the TUF and implementation therein;
 - resolutions relating to the compensation of members of the Board of Directors and the Directors holding particular offices, Executives with strategic responsibilities, as long as: (i) the Company has adopted a compensation policy; (ii) a committee comprising exclusively non-executive directors, primarily independent, was involved in the definition of the compensation policy; (iii) a report on the compensation policy was presented to the shareholders for approval; and (iv) the compensation assigned is in line with that policy;
 - ordinary transactions conducted in accordance with market or standard conditions;
 - the transactions entered into between the Company and its Subsidiaries, or among its Subsidiaries, including where subject to joint control, as well as among affiliates, as long as no related party of Amplifon has a significant interest in the subsidiary or affiliate involved in the transaction;
 - the transactions which must be completed in order to comply with the supervisory authority's instructions;
 - immaterial transactions, meaning those related party transactions representing a total of not more €1,000,000;
- regulate the adoption of framework resolutions defining the characteristics and ensuring that complete information about their implementation is provided to the Board at least quarterly;
- apply the procedure to urgent transactions.

Pursuant to the Regulations, the Company adopted the operational procedures needed to select and manage the Related Party transactions and, similarly, the Board of Directors defined its own internal regulations governing the approval and execution of the transactions in which a director holds an interest, either directly or indirectly (through

third parties).

During the year no transactions were carried out which made it necessary to comply with the procedures referred to in the above mentioned regulations.

13. APPOINTMENT OF STATUTORY AUDITORS

As per art. 23 of the Articles of Association, the Board of Statutory Auditors consists of three standing auditors and two alternate auditors, in possession of the requisites (including professional and personal characteristics), including those relative to cumulative appointments and gender equality, as well as the abilities provided for by law.

With regard to gender equality, in the event application of the quota criteria does not result in a whole number, the number of candidates belonging to the least represented gender should be rounded up.

More in detail, with regard to the professional requisites, pursuant to article 1, paragraph 3 of Ministerial Decree n. 162 dated 30 March 2000 in reference to paragraph 2, letters b) and c) of the same article 1, strictly related to the Company's activities is to be construed as related to commercial and corporate law, corporate finance, finance, statistics as well as medicine and electronic engineering, and also like or analogous disciplines while sectors in which the company operates are to be construed as wholesale and retail production and commercialisation of the instruments, devices and products referred to in art. 2 of the Articles of Association.

The ordinary Shareholders' Meeting appoints the Board of Statutory Auditors and determines its remuneration. The minority is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed, with the exception of what specified in the second to last paragraph of art. 23 of the Articles of Association, on the basis of lists submitted by the shareholders or groups of shareholders who own at least 2% of the shares with voting rights. The lists, where the candidates are listed in sequential numerical order, must be filed at the company registered office at least twenty five days before the date set for the Shareholders' Meeting. The Company will publish the lists on its website as well as in accordance with the other modalities indicated by CONSOB in the regulation issued pursuant to art. 147-ter, paragraph 1-bis of Legislative Decree 58/1998 at least twenty one days before the Shareholders' Meeting.

Each shareholder who presents, or is party to a list, must present the certification issued by a licensed intermediary entitling the shareholder to present the list along with the lists or within the timeframe in which the Company must publish the lists under the law.

With regard to the election of a minority Statutory Auditor, if several lists have obtained the same number of votes the list presented by the majority of shareholders shall prevail.

In the event two or more lists which are not connected, including indirectly, with the shareholders who presented or voted for the other, obtain the same number of votes, a run-off election is held between these lists with the participation of all the shareholders present at the Shareholders' Meeting, with the candidates on the list that obtains the

simple majority of votes being elected.

With regard to the replacement of Standing Auditor in the event of death, resignation or expiration of the term, the Alternate Auditor belonging to the same list as the previous auditor takes over, provided the compliance with the current law governing gender equality.

14. COMPOSITION AND ROLE OF THE BOARD OF STATUTORY AUDITORS (pursuant to art. 123-bis, par. 2, letter d), TUF)

As per the Articles of Association, the Board of Statutory Auditors is comprised of three standing auditors and two alternate auditors who remain in office for three financial years and may be re-elected.

The Board of Statutory Auditors, appointed on 18 April 2012 and in office through the Shareholders' Meeting to approve the 2014 annual report, consists of the following members:

Name	Office held	In office since	List	Indep. as per Code	% attend. B.S.A.	Other appointments
Giuseppe Levi	Chairman	18/4/2012	M	X	100%	14
Maria Stella Brena	Standing	18/4/2012	M	X	100%	15
Emilio Fano	Standing	18/4/2012	M	X	100%	13
Mauro Coazzoli	Alternate	18/4/2012	M	X	--	12
Claudia Mezzabotta	Alternate	18/4/2012	M	X	--	7

KEY

Office held: Chairman, Standing Auditors, Alternate Auditors.

List: indicated as M/m depending on whether the statutory auditor was elected on a Majority list or a minority list (art. 144-*decies* of the Issuers' Regulations).

Indep.: marked if the statutory auditor qualifies as independent under the Code's criteria, indicating at the bottom of the table if these criteria have been amended or modified in anyway.

% attend. B.S.A.: indicates the statutory auditor's attendance record in percentage terms at meetings of the Board of Statutory Auditors (the calculation of this percentage reflects the number of meetings attended by the statutory auditor relative to the number of meetings of the Board of Statutory Auditors held during the year or after the statutory auditor's appointment or through the termination date).

Other appointments: indicates the total number of appointments held in companies described in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code.

The Statutory Auditors possess the requisite of standing, professional abilities and independence provided for by law, the Articles of Association and the regulations for Corporate Governance to which the issuer adheres and the existence of which is verified by the Board of Statutory Auditors every year.

The Board of Statutory Auditors met five times during the year. The meetings lasted, on average, more than two hours.

The Board of Statutory Auditors plans to meet, at least, five times in 2014. The first

meeting took place on 27 February.

The Board of Statutory Auditors fulfils its duties in accordance with the standards of professionalism and independence provided for by law, in the Articles of Association and the regulations for Corporate Governance to which the issuer adheres.

The Board of Statutory Auditors carries out its supervisory activities in accordance with the applicable law. Through a constant exchange of information regarding the independent auditors' activities, the Board of Statutory Auditors verifies that the independent auditors possess the requisite of independence in existence at the time of their appointment.

The Chairman of the Board of Statutory Auditors or a delegated statutory auditor attended all the Risk and Control Committee meetings and all the Remuneration and Appointments meetings and coordinated his supervisory activities through the exchange of information and updates provided by the Head of Internal Audit.

The Board of Statutory Auditors, in its capacity as "Internal Control and Internal Audit Committee", carried out all of the supervisory activities referred to in art. 19 of Legislative Decree 39/2010.

15. RELATIONS WITH SHAREHOLDERS

The company has created an extensive, easily accessible section on its corporate website, www.amplifon.com, containing all the information of interest to shareholders.

Currently the Investor Relations and Corporate Communication Manager is Mrs. Emilia Trudu who coordinates and monitors the information provided to shareholders, financial analysts and institutional investors in full compliance with the rules established for corporate disclosures. In order to fulfil her duties, the Investor Relations and Corporate Communication Manager is supported by an internal resource and an external company specialized in media relations.

The Company actively endeavours to provide investors, the market and the press with adequate information in compliance with the law and the applicable regulations, particularly with regard to the handling of price sensitive information. Toward this end the company regularly issues press releases, meets periodically with institutional investors and with the financial market, and constantly updates the corporate documentation made available on its website.

16. SHAREHOLDERS' MEETINGS (pursuant to art. 123-bis, par. 2, letter c), TUF)

The Shareholders' Meetings are regulated by the Articles of Association as well as by a specific set of regulations which was approved by the Shareholders' Meeting held on 24 April 2007 and which can be found in the 'Investors/Corporate Governance/Statutory and codes' section of the corporate website. The Articles of Association and the

Shareholders' Meetings Regulations govern all aspects of the Shareholders' Meetings in accordance with current norms and regulations.

As to the powers reserved to the Shareholders' Meeting, with the exception of those powers attributed during the shareholders' meeting when appointed, the Articles of Association establishes that the Board of Directors is vested, under law provisions, with the broadest powers for the company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the company's purpose (please also refer to Item 4.3.2 above).

The above mentioned Regulations guarantee each shareholder's right to take the floor and participate in discussions.

During the Shareholders' Meeting the Board reported on its activities in order to ensure that the shareholders were adequately informed and that they might help contribute to informed resolutions.

17. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-bis, par. 2, letter a), TUF)

No other Corporate Governance practices have been adhered to other than those described above.

18. CHANGES SINCE YEAR END

No changes have been made to the company's corporate governance structure since year end.

Annex 1

List of Amplifon S.p.A's Directors' appointments in other companies at 31 December 2013¹

Name	Office held in Amplifon S.p.A.	Other companies	Office held
Anna Maria Formiggini	Honorary Chairman	Amplifin S.p.A.	Chairman
Susan Carol Holland	Chairman	Amplifin S.p.A.	Deputy Chairman
Franco Moscetti	Chief Executive Officer	Diasorin S.p.A. Fideuram Investimenti SGR S.p.A. Touring Club Italiano	Independent Director Independent Director Director
Giampio Bracchi	Independent non-executive Director	IntesaSanPaolo Private Banking S.p.A. CIR S.p.A. Banca del Sempione S.A. Perennius Capital Partners SGR	Chairman Director Director Chairman
Maurizio Costa	Independent non-executive Director	Fininvest S.p.A.	Deputy Chairman
Luca Garavoglia	Independent non-executive Director	Davide Campari-Milano S.p.A. RCS MediaGroup S.p.A.	Chairman Director
Andrea Guerra	Independent non-executive Director	Luxottica Group S.p.A. Luxottica S.r.l. OPSM Group PTY LIMITED Oakley INC Luxottica US HOLDINGS CORP Luxottica Retail North America INC	Chief Executive Officer Director Chairman of the Board Director Director Director

¹The offices held with listed companies or, at any rate, of note are listed based on the information provided by the Directors

Name	Office held in Amplifon S.p.A.	Other companies	Office held
Giovanni Tamburi	Independent non-executive Director	Tamburi Investment Partners S.p.A. Prysman S.p.A. Datalogic S.p.A. Interpump S.p.A. Zignago Vetro S.p.A. Roche Bobois Group	Chairman and Chief Executive Officer Director Director Director Director Member of the Supervisory Board