

# **CORPORATE GOVERNANCE REPORT**

The logo for DiaSorin, featuring the company name in white serif font centered within a solid blue square.

**DiaSorin**

## **DIASORIN S.p.A.**

Website: [www.diasorin.com](http://www.diasorin.com)

Year to which Report refers: 2011

Date Report approved: 9 March, 2012

(prepared in accordance with arts. 124-*bis* of the Consolidated Finance Law, 89-*bis* of Consob Issuer Regulations, and art. I.A. 2.6 of the Stock Exchange Regulation Instructions)

- **REPORT ON CORPORATE GOVERNANCE AND THE COMPANY'S OWNERSHIP STRUCTURE**

DiaSorin S.p.A. (hereinafter also referred to as the “**Issuer**” or “**DiaSorin**”) is an issuer listed on the FTSE MIB segment of the Online Stock Market organized and operated by Borsa Italiana S.p.A. (hereinafter referred to as “**MTA**,” its abbreviation in Italian”).

On February 12, 2007, the Board of Directors of DiaSorin S.p.A. agreed to update its system of corporate governance and make it consistent with the recommendations of the Corporate Governance Code published by the *Committee for the Corporate Governance of Listed Companies* in effect on December 31, 2011 (the “**Corporate Governance Code**”). DiaSorin’s system of corporate governance, as described in this Report, is consistent with the main recommendations of the Corporate Governance Code. This Report reviews the corporate governance structure, as set forth in the Company Bylaws.

On March 9, 2012, the Board of Directors of DiaSorin S.p.A. agreed to adopt the new version of Corporate Governance Code (version of December 2011), taking the necessary and appropriate steps to incorporate it into its own Corporate Governance Model.

**1. Structure of the Company’s share capital and information about share ownership (pursuant to Article 123 bis of Legislative Decree No. 58 of February 24, 1998 – “TUF”)**

A breakdown of the Company’s subscribed and fully paid-in share capital at December 31, 2011 is as follows:

<b>Share capital</b>	<b>No. of shares</b>	<b>% of total share capital</b>	<b>Where traded</b>
55,698,264	55,698,264	100	MTA/ FTSE MIB Segment

The Issuer’s shares are listed on the FTSE MIB Segment of the MTA. Each share conveys the right to cast one vote. The rights and obligations of the shareholders are those set forth in Articles 2346 and following of the Italian Civil Code.

There are no restrictions or limitations on the transferability of the shares or of the voting rights they convey.

The Issuer is not aware of any significant shareholders’ agreements, as defined in Article 122 of the Uniform Financial Code (hereinafter referred to as “**TUF**,” its abbreviation in Italian).

There are no financial instruments that convey the right to acquire through subscription newly issued shares and DiaSorin has not issued any securities that convey special control rights.

Neither the Issuer nor its subsidiaries are parties to agreements the enforcement of which is subject or related to a transaction producing a change of the Company’s control.

On March 26, 2007, the Shareholders’ Meeting authorized the Board of Directors to increase the Issuer’s share capital, in one or more tranches, in accordance with Article 2443 of the Italian Civil Code. Pursuant to this authorization, which was granted as a result of the approval by the Ordinary shareholders’ Meeting of a stock incentive plan called “2007-2010 Stock Option plan” (the “**2007 Stock Option Plan**”), the Board of Directors approved a resolution to carry out, in one or more tranches, a share capital increase, reserved for the 2007 Stock Option Plan, of up to 1,000,000.00 euros, by issuing 1,000,000 common shares, par value 1.00 euro each, regular ranking for dividends, which the beneficiaries of the 2007 Stock Option Plan may acquire for consideration

through subscription, the preemptive rights of other shareholders being suspended pursuant to Article 2441, Section 8, of the Italian Civil Code. As of the date of this Report, a total of 698,264 options had been exercised pursuant to the 2007 Stock Option Plan, resulting in the subscription of an equal number of newly issued shares.

In addition, on April 27, 2010, the Shareholders' Meeting reviewed and approved a motion to authorize purchases and sales of DiaSorin S.p.A. common shares reserved for the implementation of a new stock option plan called the "DiaSorin S.p.A. 2010 Stock Option Plan" (the "**2010 Stock Option Plan**").

Pursuant to and for the purposes of Article 2357 of the Italian Civil Code, the Shareholders' Meeting authorized the Board of Directors, and the Chairman and the Chief Executive Officer on the Board's behalf, to purchase, in one or more tranches, over a period of 18 months counting from the date of corresponding resolution of the Ordinary Shareholders' Meeting, up to 750,000 Company common shares earmarked for implementation of the 2010 Plan. The treasury share purchasing program, carried out in accordance with the terms and the deadline authorized by the Shareholders' Meeting of April 27, 2010, was completed on February 15, 2011. All of the purchases were made in 2011.

On October 4, 2011, the Shareholders' Meeting authorized and empowered the Board of Directors to carry out, acting through its Chairman and the Chief Executive Officer, purchases of the Company's common shares, in one or more installments, for a period of 18 months from the date of the Ordinary Shareholders' Meeting, and sales of said shares for an undetermined period of time, in accordance with the combined provisions of Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of Legislative Decree No. 58/1998 and corresponding implementation decrees. A purchase of an initial tranche of 800,000 Company common shares was carried out at a cost of about 19.8 million euros.

As of the date of this Report, as a result of the buying programs implemented thus far, DiaSorin S.p.A. holds 1,550,000 treasury shares, corresponding to 2.78% of its share capital.

Information about the transactions executed by the Board and all other disclosures required by the applicable regulation is available in the press releases issued pursuant to (EC) Regulation No. 2273/2003 and in the Explanatory Report of the Board of Directors published pursuant to law, which is also available on the Company website: [www.DiaSorin.com](http://www.DiaSorin.com).

There are no employee stock ownership plans, as defined in Article 123-bis, Letter e), of the TUF.

The terms of the 2007 Stock Option Plan and 2010 Stock Option Plan, which are available on the Issuer's website ([www.DiaSorin.com](http://www.DiaSorin.com)), were published and communicated to the market by means of the Disclosure Memoranda required pursuant to Article 84-bis of the Issuers' Regulations adopted by the Consob with Resolution No. 11971/1999, as amended ("**Issuers' Regulations**").

The Issuer executed agreements pursuant to Article 123-bis, Section 1, Letter i), of the TUF with its General Manager, Carlo Rosa (who is a Company employee and serves as its Chief Executive Officer), and with Chen M. Even, who serves as a Director and qualifies as an Executive with Strategic Responsibilities pursuant to Article 152-sexies of the Issuers' Regulations published by the Consob.

Specifically, pursuant to Article 114, Section 5, of the TUF, the Company discloses that the two abovementioned agreements provide for the payment of a predetermined termination benefit to the abovementioned executives.

The Company further discloses that the criteria for determining the benefit payable to Carlo Rosa, in his capacity as General Manager, was defined by the Board of Directors, upon a recommendation by the Compensation Committee, as an amount variable between wages for 24 months, in the event of termination without cause by the Company of the employment contract executed in accordance

with the applicable national collective bargaining agreement, and wages for up to 36 months, in the event of a change in the Company's share capital ownership (as per Article 93 of the TUF), repeated violations of the employment contract by the Company or a material change in the employee's job description, absent the consent of both parties.

For Chen M. Even, the benefit of wages for 24 months will be due mainly in the event of Mr. Even's resignation or dismissal without cause, in the event of repeated violations of the employment contract by the Company, a material change in the employee's job description, absent the prior consent of both parties, or if the employment relationship should end due to a change in the Company's reference shareholders, pursuant to Article 93 of the TUF.

The annual compensation of the abovementioned executives is listed in the Compensation Report published pursuant to Article 123-ter of the TUF.

In the event of a termination of the employment relationship, any option grants awarded to Messrs. Rosa and Even pursuant to the Company's incentive plans will continue to be governed by the principles set forth in the 2010 Plan Regulations (as defined below). Additional information is provided in the corresponding Disclosure Memorandum available on the Company website ([www.DiaSorin.com](http://www.DiaSorin.com)) or in the applicable section of the Compensation Report published pursuant to Article 123-ter of the TUF.

## 2. Significant Equity Interests (\*)

As of the date of this Report, based on the information available to the Company and taking into account the communications received pursuant to Article 120 of the TUF, the following shareholders held significant equity interests in DiaSorin, as defined in Article 123-bis of the TUF:

Reporting party	Shareholder	How held	% interest
<b>Zadig Gestion (Luxembourg) SA</b>	Zadig Gestion (Luxembourg) SA	As asset manager	2.603
		<b>Total</b>	<b>2.603</b>
<b>DiaSorin S.p.A.</b>	DiaSorin S.p.A.	As owner	2.78
		<b>Total</b>	<b>2.78</b>
<b>Blackrock Inc.</b>	Blackrock Inc.	As asset manager	2.004
		<b>Total</b>	<b>2.004</b>
<b>Threadneedle Asset Management Holdings Ltd</b>	Threadneedle Asset Management Holdings Ltd	As asset manager	2.023
		<b>Total</b>	<b>2.023</b>
<b>Finde SS</b>	IP Investimenti e Partecipazioni Srl	As owner	43.795
		<b>Total</b>	<b>43.795</b>
<b>Rosa Carlo</b>	Sarago S.r.l. Rosa Carlo	As owner	4.215
		As owner	4.238
		<b>Total</b>	<b>8.453</b>
<b>Even Chen Menachem</b>	Even Chen Menachem	As owner	4.486
		<b>Total</b>	<b>4.486</b>
(*) Source: Significant Equity Interests of which the Company was aware as of March 9, 2012, computed on the share capital described in Section I above. Direct and indirect ownership by the reporting shareholder (parties at the top of the ownership chain). The percentage interest held is computed as the ratio of exercisable voting right conveyed by common shares to the share capital represented by common shares..			

Even though Article 2497-sexies of the Italian Civil Code states that “*unless proof to the contrary is provided, it is presumed that management and coordination authority over a company is exercised by the company or entity required to consolidate that company's financial statements or otherwise controls it pursuant to Article 2359 of the Italian Civil Code,*” neither Finde Società Semplice nor

IP Investimenti e Partecipazioni S.r.l., the transferee of the equity investment held by Finde S.p.A., formerly IP Investimenti e Partecipazioni S.p.A., exercise management and coordination authority over DiaSorin.

Specifically, the Issuer believes that in its corporate and entrepreneurial endeavors it operates independently of Finde Società Semplice, its controlling company, and IP Investimenti e Partecipazioni S.r.l.

Consequently, the Issuer's relationship with Finde Società Semplice and IP Investimenti e Partecipazioni S.r.l. is limited to the normal exercise by these companies of the administrative and ownership rights inherent to their status as shareholders (such as voting at Shareholders' Meetings and collecting dividends).

### **3. Issuer's governance structure**

DiaSorin is organized in accordance with the conventional management and control model referred to in Articles 2380-*bis* and following of the Italian Civil Code. Accordingly, it includes a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

Pursuant to a resolution approved by the Shareholders' Meeting of February 12, 2007, the independent auditing function was awarded to Deloitte & Touche S.p.A., a company listed in the Register of Independent Auditors established pursuant to Article 161 of the TUF.

This assignment, which began on the date when the Issuer's shares began trading on the Online Stock Market (July 19, 2007), will expire with the approval of the financial statements at December 31, 2015.

### **4. Composition and activities of the Board of Directors**

#### ***4.1 Election, composition and term of office***

The Issuer is managed by a Board of Directors comprised of at least seven and not more than 16 members. At the time of election, the Ordinary Shareholders' Meeting determined the size of the Board of Directors, within the abovementioned limits, and its term of office, which may not exceed three years. The Board of Directors will cease to be in office on the date of the Shareholders' Meeting convened to approve the financial statements for the last year of its term of office. Directors may be reelected.

The provisions of the Bylaws that govern the composition and election of the Issuer's Board of Directors have been designed to ensure compliance with the relevant regulations introduced by Law No. 262/2005, as amended (Article 147-ter of the TUF), which are summarized below.

The ability to serve as a Director is subject to the candidate meeting the requirements set forth in the statutory and regulatory provisions currently in force (for the independence requirements of the members of the Board of Directors, see Section 4.3).

Article 11 of the Bylaws requires that the Board of Directors be elected by a voting system based on slates of candidates filed by shareholders who, alone or in combination with others, represent at least 2% of the shares that convey the right to vote at Ordinary Shareholders' Meetings, or any other percentage that may apply pursuant to the applicable laws or regulations. Each shareholder, shareholders who are parties to a shareholders' agreement that qualifies as such pursuant to Article 122 of the TUF, the Company's controlling party, its subsidiaries and joint ventures that qualify as such pursuant to Article 93 of the TUF may not file or participate in the filing, directly or through a third party or a nominee, of more than one slate and may not vote for multiple slates. Each

candidate can be included on only one slate, on penalty of losing the right to be elected. Votes cast in violation of this provisions will not be allocated to any slate.

Notwithstanding additional statutory disclosure and filing requirements, including those set forth in regulations currently in effect, slates filed by shareholders, duly signed by the filers, must be deposited at the Company's registered office, where they must be available to anyone upon request, at least 25 (twenty-five) days prior to the date of the first calling of the Shareholders' Meeting. The slates must be accompanied by the following documents: (i) information identifying the shareholders who are filing the slates and showing the total percentage interest held; (ii) affidavits by which the individual candidates accept their nomination and attest, under their responsibility, that there are no issues that would make them incompatible or unelectable and that they meet the requirements of their respective offices; and (iii) a curriculum vitae setting forth the personal and professional qualifications of each candidate and indicating whether a candidate qualifies as an independent Director. In addition, a special attestation issued by an intermediary qualified pursuant to law certifying the ownership, when the slate of candidates is being filed with the Company, of the number of shares needed to qualify for filing the slate must be filed with the Company within the deadline required by the rules applicable to the publication of slates of candidates by the Company.

Slates that are filed without complying with these requirements will be treated as if they not been filed at all.

The election of Directors is carried out as follows:

- a) All except one of the Directors that need to be elected are taken from the slate that received the highest number of votes, in the sequence in which they are listed on the slate;
- b) The remaining Director is taken from a minority slate that is not connected in any way, directly or indirectly, with the parties who filed or voted for the slate referred to in paragraph a) above and received the second highest number of votes cast by the shareholders, selecting for election the first candidate listed in the slate's numerical sequence. However, should the minority slate referred to in paragraph b) above fail to receive a percentage of the votes equal at least to half the required percentage for filing a slate, as stated above, all of the Directors that need to be elected will be taken from the slate that received the highest number of votes referred to in paragraph a) above.

If the candidates elected in the manner described above do not include a sufficient number of Directors who meet the independence requirements that apply to Statutory Auditors pursuant to Article 148, Section 3, of the TUF to achieve the minimum statutory percentage of the total number of elected Directors, the non-independent candidate elected last in the sequence listed in the slate that received the highest number of votes, as referred to in paragraph a) above, shall be replaced with the first non-elected independent candidate who is listed next sequentially in the same slate or, alternatively, by the first non-elected candidate listed sequentially on other slates, based on the number of votes received by each slate. This replacement procedure shall be applied repeatedly until the Board of Directors includes a number of Directors who meet the requirements of Article 148, Section 3, of the TUF equal to at least the statutory minimum. As a further alternative, the replacement candidates may be elected by means of a resolution approved by the Shareholder's Meeting with a relative majority, provided candidates have been placed in nomination in accordance with statutory requirements.

If only one slate is filed or if no slate is filed, the Shareholders' Meeting shall approve its resolutions with the majorities required by law without being required to comply with the procedure described above.

Lastly, pursuant to Article 11 of the Bylaws, if one or more Directors ceases to be in office during the course of the year, provided the majority of Board members are still Directors elected by the

Shareholders' Meeting, they shall be replaced in the manner described below, in accordance with the provisions of Article 2386 of the Italian Civil Code:

(i) The Board of Directors nominates as replacements candidates taken from the same slate to which the Directors no longer in office belonged and the Shareholders' Meeting votes with the majorities required pursuant to law and in accordance with the principle described above;

(ii) Should there be no unelected candidates or eligible candidates left in the abovementioned slate or if the provisions of paragraph (i) above cannot be complied with for any reason, the Board of Directors and the Shareholders' Meeting elect replacements with the majorities required pursuant to law, without using a slate voting system.

If the majority of the Directors elected by the Shareholders' Meeting ceases to be in office, the entire Board of Directors shall be deemed to have resigned and a Shareholders' Meeting must be convened promptly by the Directors still in office to elect a new Board.

Additional information about the procedures for the election of the Board of Directors is provided in Article 11 of the Bylaws.

The Consob published Resolution No. 18083/2012 setting at 2% of the voting share capital the minimum ownership percentage required to file slates of candidates.

The Issuer's Board of Directors in office as of the date of this Report was elected by the Ordinary Shareholders' Meeting of April 27, 2010 for a term of office that will end on the date of the Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2012. It is comprised of the following ten members:

<b>FIRST AND LAST NAME</b>	<b>PLACE AND DATE OF BIRTH</b>	<b>POST HELD</b>	<b>DATE ELECTED</b>
Gustavo Denegri	Turin, March 17, 1937	Chairman and Non-executive Director	April 27, 2010
Antonio Boniolo	Venice, January 4, 1951	Deputy Chairman and Non-executive Director	April 27, 2010
Carlo Rosa	Turin, January 15, 1966	Chief Executive Officer and Executive Director	April 27, 2010
Chen Menachem Even	Ashkelon (Israel), March 18, 1963	Executive Director	April 27, 2010
Enrico Mario Amo	Turin, September 17, 1956	Non-executive Director	April 27, 2010
Michele Denegri	Turin, January 7, 1969	Non-executive Director	April 27, 2010
Gian Alberto Saporiti	Genoa, June 26, 1940	Non-executive Director	April 27, 2010
Giuseppe Alessandria	Novello Moncherio (CN), May 15, 1942	Independent Director	April 27, 2010
Franco Moschetti	Tarquini (VT), October 9, 1951	Independent Director	April 27, 2010
Ezio Garibaldi	Turin, February 2, 1938	Independent Director	April 27, 2010

The Directors' professional curricula are on file at the Issuer's registered office.

For the sake of full disclosure, the posts held by Directors at other DiaSorin Group companies or at other companies are listed in Schedule 1 annexed to this Report, which should be consulted for additional information.

As of the date of this Report no succession plans have been developed for the executive Directors, due to the specificity of the tasks performed by each of them and based on an assessment both of opportunities and needs.

With regard to the posts held by DiaSorin Directors on management and oversight bodies at other companies, the Board of Directors does not believe that, at this point, it would be appropriate to introduce preset quantitative limits. There are no restrictions on other posts held at other issuers, unless they create a conflict of interest situation. Without prejudice to the obligation of each Director to assess whether he can discharge diligently the duties of his office while serving as a Director or Statutory Auditor of other companies with shares traded on regulated markets or financial, banking or insurance companies or companies of a significant size, the Board concluded that the number and quality of the posts held by its members in companies of the types listed above does not interfere and is compatible with the effective discharge of the duties of their offices at the Issuer.

The Board of Directors completed a self-assessment process regarding the size, composition and activities of the Board and its Committees.

The task of performing the preparatory work for the self-assessment process was entrusted to the Nominating Committee and the Compensation Committee, under the coordination of Giuseppe Alessandria, the Lead Independent Director.

The self-assessment process focused on the composition and size of the Board of Directors and the independent Directors. Using tools that guaranteed the anonymity and independence of the participants, the process determines whether the competencies and knowhow required to vote on resolutions existed within the Board, assessing the quality of the information provided for the purpose of discussing a given topic and approve the required resolutions, and determine whether there were areas of special excellence within the Board's activities and whether the number of Board meetings held was adequate in light of the Company's commitments. In addition, special attention was devoted to the Committees, assessing their composition, work contribution and level of autonomy with regard to certain issues.

The findings of the self-assessment process were presented to the Board of Directors for appropriate action.

The annual self-assessment process by the Board of Directors elected on April 27, 2010 identified some areas of excellence, particularly with regard to reporting activities and the periodicity with which specific categories of issues are reviewed.

#### **4.2 *Nominating Committee***

The Issuer's Board of Directors, consistent with the provisions of the Corporate Governance Code and in view of the fact that the Bylaws require the use of a slate-voting system to elect the Board of Directors, established an internal Nominating Committee, the majority of its members being non-executive independent Directors, the purpose of which is to ensure that the filing of slates of candidates in accordance with the Bylaws is carried out correctly and transparently, in accordance with the applicable provisions of the law and the Bylaws. Once it has verified compliance with the slate filing procedure, particularly with regard to the completeness of the documents that must be submitted together with the slates and compliance with the filing deadline, the abovementioned Committee is responsible for carrying out the process required to submit the slates of candidates to the Shareholders' Meeting convened to elect the Board of Directors.

The Nominating Committee is also responsible for providing the Board of Directors with recommendations about the Board's size and makeup, should the Committee believe that such advice is in order.



By a resolution dated April 27, 2010, the Issuer's Board of Directors confirmed the existing composition of its internal Nominating Committee. The members of the Committee, the majority of whom are non-executive, independent Directors, are: Franco Moschetti (independent Director), who serves as Chairman, Giuseppe Alessandria (independent Director) and Michele Denegri (non-executive Director), originally appointed by a Board resolution dated February 12, 2007.

The meetings of the Nominating Committee are listed in Schedule 2 annexed to this Report. Starting the previous year, the Nominating Committee began collaborating with the Compensation Committee for the purpose of monitoring more closely the self-assessment process of the Board of Directors.

#### **4.3 Non-executive Directors, Independent Directors and Lead Independent Director**

The number and authoritativeness of the Board's non-executive Directors and independent Directors is sufficient to ensure that their opinion has a significant impact on the decision-making process of the Issuer's Board of Directors. Non-executive Directors and independent Directors contribute specific professional expertise to Board meetings and help the Board adopt resolutions that are in the Company's interest. The slate-voting system required by Article 11 of the Bylaws is designed to ensure the election of a number of Directors that meet the independence requirements set forth in Article 148, Section 3, of the TUF equal to the minimum percentage required by the applicable laws, based on the total number of Directors serving on the Board.

In the case of Directors of issuers listed on the FTSE MIB Segment, the number of Directors and the independence requirements are those set forth in the Regulations for Markets Organized and Operated by Borsa Italiana ("**Stock Exchange Regulations**"), the related Instructions and Article 3 of the Corporate Governance Code, as amended.

The Issuer's Board of Directors includes the following independent Directors: Franco Moschetti, Giuseppe Alessandria and Ezio Garibaldi.

At a meeting held on March 16, 2011, the Board of Directors ascertained that the independent Directors met the independence requirements of Article 148, Section 3, of the TUF. The same process was repeated for the current year at a Board meeting held on March 9, 2012.

On March 16, 2011, acting in accordance with Article 3.C.5 of the Corporate Governance Code, the Board of Statutory Auditors reviewed the correct implementation of the criteria and procedures applied by the Board of Directors to verify the independence of its members.

At a meeting held on April 27, 2010, the Board of Directors, as required by the Corporate Code, reappointed Giuseppe Alessandria, an independent Director, to the post of Lead Independent Director. Serving in this capacity, he provides a reference point for and coordinate issues relevant specifically to non-executive Directors and independent Directors.

## **5. Functions and attributions of the Board of Directors**

The Board of Directors performs a pivotal role within the corporate organization. Its task and responsibilities include setting strategic and organizational guidelines and ensuring that adequate controls to monitor the performance of the Issuer and the other companies of the DiaSorin Group are in place.

All members of the Board of Directors are required to make informed and independent decisions, pursuing the goal of creating value for the shareholders, and must be willing to devote to the tasks they perform at the Issuer the time required to discharge diligently their duties, irrespective of the posts held at companies outside the DiaSorin Group, being fully cognizant of the responsibilities entailed by the office they hold.

With this in mind, all candidates to the post of Director, prior to accepting their appointment at the Issuer and irrespective of existing statutory and regulatory restrictions on the total number of posts that may be held, must determine whether they will be able to perform the tasks assigned to them with the required attention and effectiveness, taking into account their overall effort that will be required of them in connection with the posts held outside the DiaSorin Group.

All members of the Board of Directors are also required to inform the Board of any new appointments to Boards of Directors or Boards of Statutory Auditors at other companies, in order to allow the Board of Directors to comply with the relevant statutory and regulatory disclosure requirements.

Pursuant to Article 15 of the Bylaws, the Board of Directors enjoys the most ample powers to manage the Issuer.

In accordance with the abovementioned article of the Bylaws and pursuant to Article 2365 of the Italian Civil Code, the Board of Directors also has jurisdiction (which may not be delegated to anyone but may be ceded to the Shareholders' Meeting) over the adoption of resolutions concerning the following:

- mergers and demergers, when permissible pursuant to law;
- the opening and closing of secondary offices;
- reductions of share capital when shareholders elect to request the reimbursement of their shares;
- amendments to the Bylaws required pursuant to law;
- moving the Issuer's registered office to another location in Italy.

In 2011, the Board of Directors relied on the support of the Internal Control Committee, the Internal Control Officer and the Corporate Accounting Documents Officer for the purpose of assessing the effectiveness of the guidelines of the system of internal control, specifically with regard to the procedures and control implemented pursuant to Law No. 262/2005.

Pursuant to Article 13 of the Bylaws, on the occasion of Board meetings but not less frequently than once a quarter, the governance bodies to whom powers have been delegated informed the Board of Directors and the Board of Statutory Auditors about the performance of the Issuer and its subsidiaries, its business outlook and transactions that have a material impact on its income statement, balance sheet and financial position, focusing on transactions which Directors may have an interest, directly or through third parties, or which may have been influenced by a party with management and coordination authority.

Based on timeliness requirements, the abovementioned information may also be provided to the Board of Statutory Auditors directly or at meetings of the Executive Committee.

Pursuant to Article 15 of the Bylaws, the Board of Directors, which is required to act with the mandatory input of the Board of Statutory Auditors, has jurisdiction over the appointment and dismissal of the **Corporate Accounting Documents Officer** required pursuant to Article 154-*bis* of the TUF and the determination of his or her compensation. The Company's Corporate Accounting Documents Officer must meet the integrity requirements of the relevant statutes currently in force for those who perform administrative and management functions, as well as professional requirements that include specific expertise in administrative and accounting issues. Expertise in these areas must be verified by the Board of Directors and must be the result of work performed in a position of sufficiently high responsibility for an adequate length of time.

On November 11, 2011, the Issuer's Board of Directors, after verifying compliance with the requirements of integrity and professional expertise referred to above, appointed Pier Luigi De Angelis (who serves as Manager of the Issuer's Accounting, Finance and Control Department), as a

replacement for Andrea Senaldi, who resigned, granting him the powers required pursuant to Article 154-*bis* of the TUF.

Pursuant to Article 17 of the Bylaws, the Board of Directors can appoint one or more General Managers and determine their powers, which may include the power to appoint representatives or grant powers of attorney for specific transactions or classes of transactions. General Managers attend Board of Directors and Executive Committee meetings and are entitled to make non-binding recommendations with regard to the items on the Agenda.

Pursuant to Article 15 of the Bylaws, the Board of Directors may establish committees, determining their composition and tasks. For information about the internal Committees of the Issuer's Board of Directors, please see Section 4.2 above for the Nominating Committee and Sections 6.2 and 7.3 below for the Compensation Committee and the Internal Control Committee, respectively.

Pursuant to Article 12 of the Bylaws, the Board of Directors may appoint a standing **Secretary**, who need not be a Director. On April 27, 2010, the Board of Directors appointed Marco Minolfo, Manager of the Group's Corporate Affairs Department, as its standing secretary.

Pursuant to Article 13 of the Bylaws, the Board of Directors meets at the Company's registered office, or elsewhere, whenever the Chairman deems it necessary or when a meeting is requested by the Chief Executive Officer (if one has been appointed) or by at least three Directors, without prejudice to the right of other parties to call a Board meeting pursuant to law. If the Chairman is absent or incapacitated, Board meetings are called by the person who replaces him pursuant to Article 12 of the Bylaws (i.e., the Deputy Chairman or the oldest Director, in that order).

Meetings of the Board of Directors are validly convened when a majority of the Directors in office is in attendance and resolutions are adopted with a majority of the votes cast by the Directors attending the meeting. In the event of a tie, the Chairman has the tie-breaking vote (Article 14 of the Bylaws).

### ***5.1 Powers of the Chairman, Deputy Chairman, Chief Executive Officer and General Manager***

The Board of Directors elects one of its members to the post of **Chairman**. The Chairman convenes and chairs the meetings of the Board of Directors, coordinates its activities and ensures that sufficient information about the items on the Agenda is provided to all Directors. Moreover, he chairs the Shareholders' Meeting, verifies that it has been properly convened, checks the identity of the parties attending the Shareholders' Meeting and their right to attend, manages the activities carried out at the Shareholders' Meeting and verifies its outcome, as required by Article 10 of the Bylaws.

The Chairman represents the Issuer before third parties and in legal actions.

On April 27, 2010, the Ordinary Shareholders' Meeting, upon electing the Board of Directors, appointed the Director Gustavo Denegri Chairman.

The Board of Directors may also elect a **Deputy Chairman**, who can replace the Chairman in the functions described above, should the latter be absent or incapacitated.

On April 27, 2010, the Ordinary Shareholders' Meeting elected the Director Antonio Boniolo Deputy Chairman of the Board of Directors.

Pursuant to Article 15 of the Bylaws, the Board of Directors may select some of its members to staff an Executive Committee, to which it may delegate some of its powers, except for those that the law reserves expressly for the Board of Directors, determining the Committee's composition, powers and rules of operation.

As of the date of this Report, the Board of Directors had not appointed an Executive Committee.

The Board of Directors may also delegate some of its powers to one or more of its members, specifying the limits of the delegated powers, and entrust to these members special tasks, which would then have the right to act as the Issuer's legal representatives.

On April 27, 2010, DiaSorin's Board of Directors appointed the Director Carlo Rosa to the posts of **Chief Executive Officer and General Manager**, granting him the power to handle all ordinary and extraordinary business transactions over which the Board of Directors has jurisdiction, with the exception of those that are expressly reserved for the Board of Directors pursuant to law and the Bylaws. The following powers are reserved for the Board of Directors and may not be delegated:

- approving the annual budget;
- buying, acquiring through subscription or selling equity investments;
- buying, selling or leasing businesses and business operations;
- buying and selling real estate;
- investing in capital assets in addition to the capital expenditures contemplated in the budget when the amount involved exceeds 1,000,000.00 (one million) euros per year; securing loans, credit lines and bank advances; discounting promissory notes and obtaining overdraft facilities involving amounts in excess of 9,500,00.00 (nine million five hundred thousand) euros for each transaction, excluding credit lines for sureties and except for factoring contracts, which are covered by the delegated powers without amount limitations;
- granting mortgages, pledges and liens on Company assets involving amounts in excess of 500,000.00 (five hundred thousand) euros for each transaction;
- granting sureties involving amounts in excess of 500,000.00 (five hundred thousand) euros;
- hiring and firing managers.

Any changes to the compensation paid to managers must be implemented by means of an order signed jointly by the Chief Executive Officer and one of the non-executive Directors. The compensation for the management function performed by Mr. Rosa as Chief Executive Officer is determined jointly by the Chairman of the Board of Directors and the Chairman of the Compensation Committee.

## **6. Compensation of Directors and top management**

### **6.1. *Compensation overview***

Pursuant to Article 16 of the Bylaws, Directors are entitled to be reimbursed for expenses incurred in connection with their office. In addition, they are provided with an annual compensation approved by the Ordinary Shareholders' Meeting that elects them. The Shareholders' Meeting may set a total amount as compensation for all of the Directors, except for those who have been delegated to perform operational functions, whose compensation is determined by the Board of Directors with the input of the Board of Statutory Auditors. Alternatively, the Shareholders' Meeting may exercise its right to set a total amount as compensation for all of the Directors, including those entrusted with special tasks.

DiaSorin adopted a compensation policy for officers to whom powers have been delegated and senior executives that calls for incentives tied to the Company's profitability and may establish corporate incentive plans that include stock option grants. For more detailed information, please consult the Compensation Report published on the Company website ([www.DiaSorin.com](http://www.DiaSorin.com)) and elsewhere.

## 6.2 *Compensation Committee*

The Issuer's Board of Directors, consistent with the provision of the Stock Exchange Regulations and the Corporate Governance Code, established an internal Compensation Committee staffed with non-executive Directors, the majority of whom are independent Directors. The Compensation Committee is responsible for:

- (i) submitting to the Board of Directors proposals concerning the compensation of the Chief Executive Officer and of all other Directors who perform special tasks and for monitoring the proper implementation of approved resolutions;
- (ii) submitting to the Board of Directors general recommendations concerning the compensation of DiaSorin Group executives with strategic responsibilities, taking into account the information and indications provided by the Chief Executive Officer, and assessing on a regular basis the criteria adopted to determine the compensation of the abovementioned executives.

The Compensation Committee will also be expected to participate in managing any future stock option plans that may be approved by the Issuer's relevant corporate governance bodies.

The Issuer's Board of Directors elected on April 27, 2010 appointed the following Directors to the Compensation Committee: Giuseppe Alessandria (independent Director), who serves as Chairman; Ezio Garibaldi (independent Director) and Michele Denegri (non-executive Director).

The Compensation Committee was not provided with financial resources because the Committee uses the Issuer's resources and organization to discharge its duties.

The number of Committee meetings and the attendance percentage are listed in Schedule 2 annexed to this Report, which should be consulted for additional information.

## 7. System of internal control

The Board of Directors is responsible for defining the guidelines of the system of internal control, which is a set of processes designed to monitor the efficiency of the Company's operations, the reliability of the financial information, the degree of compliance with laws and regulations and the level of protection of the Company's assets.

The Board of Directors (i) is responsible for the prevention and monitoring of business risks to which the Issuer and the Group are exposed by defining control system guidelines that can be used to properly identify, adequately measure, monitor, manage and assess the abovementioned risks, in accordance with the goal of protecting the corporate assets and consistent with the principles of sound management; and (ii) verifies on a regular basis (at least once a year) that the system of internal control is adequate, effective and functions correctly.

In performing these functions, the Board of Directors is supported by an executive Director responsible for supervising the system of internal control and ascertaining that it is functioning correctly (the "**Supervisory Director**"), whose responsibilities are described below, and by an **Internal Control Committee**, comprised of non-executive Directors, the majority of whom are independent Directors. The composition and responsibilities of this Committee are described in Section 7.3 below.

Insofar as the guidelines adopted for the system of internal control are concerned, the Board of Directors also takes into account the organizational and management model adopted by the DiaSorin Group pursuant to Legislative Decree No. 231/2001 (hereinafter also referred to as the "**Model**").

Acting upon on a recommendation by the Supervisory Director and with the input of the Internal Control Committee, the Board of Directors established the post of **Internal Control Officer**, to which it currently appointed the manager of the Internal Audit Department, a function currently performed by Luca De Rosa.

The Issuer's Board of Directors agreed to: (i) assign to the Supervisory Director the tasks described in Section 7.1 below; and (ii) assign to the Internal Control Officer the tasks described in Section 7.2 below.

The Internal Control Officer shall be supplied with sufficient resources to perform the assigned tasks, including those involving the operational structure and the internal organizational procedures for accessing the information needed to discharge his responsibilities.

***(I) Main features of the existing risk management and internal control systems applied to the financial reporting process, including consolidated data, when applicable, in accordance with Article 123-bis, Section 2, Letter b), of the TUF (hereinafter also referred to as the “management system”)***

The Risk Management and Internal Control System applied to the financial reporting process adopted by the DiaSorin Group was developed using as a reference model and performance objective the COSO Report<sup>(1)</sup>, according to which, the Internal Control System, in the most general terms, can be defined as “ a process, effected by an entity's Board of Directors, management and other personnel for the purpose of providing reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.”

Insofar as the financial reporting process is concerned, the corresponding objectives are the truthfulness, accuracy, reliability and timeliness of the financial reporting.

The Group, in defining its internal control system for the financial reporting process, complied with the guidelines provided in this area in the following reference laws and regulations:

- Legislative Decree No. 58 of February 24, 1998 (TUF), as amended, specifically with regard to the provisions concerning the “Certification of the Statutory and Consolidated Annual Financial Statements and Semiannual Report by the Corporate Accounting Documents Officer and the Delegated Governance Bodies Pursuant to Article 154-bis of the TUF;”
- Law No. 262 of December 28, 2005 (as amended, including the amendments introduced by the Legislative Decree of October 30, 2007 adopting the Transparency Directive) specifically with regard to the preparation of corporate accounting documents;
- The Issuers' Regulations published by the Consob, as amended;
- The Italian Civil Code, which extends to the Corporate Accounting Documents Officers liability for company management actions (Article 2434), the crime of disloyalty due to the conveyance or promise of a benefit (Article 2635) and the crime of obstructing public and oversight authorities in the performance of their functions (Article 2638);
- Legislative Decree No. 231, of June 8, 2001, which, citing, *inter alia*, the abovementioned provisions of the Italian Civil Code and the civil liability of legal entities for crimes committed by

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<sup>1</sup> COSO Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission - “*Internal Control – Integrated Framework*” published in 1992 and updated in 1994 by the Committee of Sponsoring Organizations of the Treadway Commission.

their employees against the public administration and market abuse crimes, classifies the Corporate Accounting Documents Officer as a Top Management Person.

The Risk Management and Internal Control System applied to the financial reporting process adopted by the DiaSorin Group fits within the broader framework provided by the Group's Internal Control System, which is comprised of several components, including:

- the Group's Code of Ethics;
- the Organizational and Management Model Pursuant to Legislative Decree No. 231/2001 and related protocols;
- the procedures for internal dealing disclosures;
- the principles for the execution of material transactions;
- the Procedure for Related-party Transactions
- the system of proxies and powers of attorney;
- the organization chart and job description chart;
- the procedure for disclosing price sensitive information;
- the risk scoping process applied to quantitative and qualitative risk analysis;
- the Accounting and Administrative Control System.

DiaSorin's Accounting and Administrative Control System is comprised of a set of procedures and operational documents, including:

- Group Accounting Manual – Document designed to promote the development and use within the Group of consistent accounting criteria for the recognition, classification and measurement of the results from operations;
- Administrative and accounting procedures – Documents that define responsibilities and controls rules specifically with regard to administrative and accounting processes;
- Financial statement and reporting instructions and closing schedules – Documents used to communicate to the various Company departments the operational and detailed procedures for managing the activities required to prepare the financial statements by predetermined and shared deadlines;
- Technical User Manual for the Group Reporting System – Document provided to all employees who are directly in the process of preparing and/or reviewing accounting reports, which explains who the Reporting System operates.

DiaSorin's Accounting and Administrative Control Model defines the method that must be applied when implementing the Risk Management and Internal Control System, which includes the following phases:

***a) Mapping and assessment of the risks entailed by financial reporting***

The mapping and assessment of the risks entailed by the production of accounting reports is carried out by means of a structured scoping process. The implementation of this process includes identifying all of the objectives that the Internal Control System applied to financial reporting must achieve to deliver a truthful and fair presentation. These objectives refer to the financial statement "disclosures" (existence and occurrence of events, completeness, rights and obligations, measurement/recognition, presentation and reporting) and other control objectives (e.g., compliance with authorization limits, separation of tasks and responsibilities, documentation and traceability of transactions, etc.).

The risk assessment process is thus focused on those areas of the financial statements identified as potentially having an impact on financial reporting in terms of failure to achieve control objectives.

The process of determining which entities should be classified as "significant entities" in terms of their impact on financial reporting serves the purpose of identifying, with regard to the Group's

consolidated financial statements, the subsidiaries, financial statement accounts and administrative and accounting processes that are deemed to be “material,” based on valuations carried out using both quantitative and qualitative parameters.

***b) Definition of controls for the mapped risks***

As mentioned above, the definition of the controls required to mitigate the mapped risks within administrative and accounting processes is carried out taking into account the control objectives associated with financial reporting for processes deemed to be material.

If the implementation of the phase of determining the scope of the assessment process uncovers sensitive areas that are not governed, in whole or in part, by the corpus of administrative and accounting procedures, the existing procedures are amended and, working in concert with the Corporate Accounting Documents Officer, new procedures are adopted for the affected areas.

***c) Assessment of controls for the mapped risks and handling of any known issues***

The assessment of the effectiveness and level of implementation of the administrative and accounting procedures and of the controls they contain is carried out through specific testing activities that are consistent with best industry practices.

Testing is carried out continuously throughout the year at the request of and in coordination with the Corporate Accounting Documents Officer, who uses his own organization and the Internal Auditing Department.

As part of the implementation process, the delegated governance bodies and the administrative managers of subsidiaries are required to provide the Corporate Accounting Documents Officer with an affidavit concerning tests performed to assess the effectiveness and level of implementation of the administrative and accounting procedures.

The Corporate Accounting Documents Officer, working with the support of the Internal Auditing Department, prepares an Audit Report in which he provides an overview of the assessment of the controls established for the mapped risks. The assessment of controls can result in the definition of supplemental controls, corrective actions or improvement plans to address any identified issues.

The Audit Reports produced during the year are first discussed with the Chief Executive Officer and then communicated to the Company’s Board of Statutory Auditors, Internal Control Committee and Board of Directors.

The Risk Management and Internal Control System applied to the financial reporting process is overseen by the Accounting Documents Officer, who is appointed by the Board of Directors, in concert with the Chief Executive Officer. The Accounting Documents Officer is responsible for developing, implementing and approving the Accounting and Administrative Control Model and assessing its effectiveness, and is required to issue certifications of the separate and consolidated annual financial statements and the semiannual financial report (separate and consolidated). The Accounting Documents Officer is also responsible for establishing adequate administrative and accounting procedures for the production of statutory and consolidated financial statements and, with the support of the Internal Auditing Department, providing subsidiaries with guidelines for the implementation of appropriate activities to assess their Accounting Control Systems.

In the performance of his functions, the Corporate Accounting Documents Officer:

- interacts with the Internal Auditing Department/Internal Control Officer, who performs independent audits of the effectiveness of the Internal Control System and supports the Corporate Accounting Documents Officer in monitoring the System;



- is supported by the managers of the affected departments, who, with respect to the area under their jurisdiction, attest to the completeness and reliability of the information flows provided to the Corporate Accounting Documents Officer for financial reporting purposes;
- coordinates the activities of the Accounting Managers of subsidiaries, who are responsible, together with the delegated governance bodies, for implementing within their companies adequate accounting control systems to monitor administrative and accounting processes and assessing their effectiveness over time, reporting the results to the Parent Company as part of the internal certification process;
- establishes a mutual exchange of information with the Internal Control Committee and the Board of Directors, reporting on the work he performed and the adequacy of the Internal Control System.

The Board of Statutory Auditors and the Oversight Board are informed about the adequacy of the Internal Control System.

## **(II) Code of Ethics and Organizational Model pursuant to Legislative Decree No. 231/2001**

The Issuer approved and implemented a **Group Code of Ethics** with the aim of providing all employees with consistent rules of conduct and defining their rights and obligations, as they apply to the performance of any activity that may affect the Issuer's interests.

The Code of Ethics, currently adopted by all DiaSorin Group companies, sets forth the general principles that define the values that underpin the Issuer's operations.

In addition, as required by the provisions of Article 2.2.3, Section 3, Letter k), of the Stock Exchange Regulations and in order to ensure that all business transactions and corporate activities are carried out fairly and transparently, protect the Company's position and image, meet the expectations of its shareholders and protect the jobs of its employees, the Board of Directors adopted the model required by Legislative Decree No. 231/2001 in connection with the Company's administrative liability for crimes committed by its employees (also referred to as the "Model") and appointed the related **Oversight Board**.

This model was developed taking into account the provisions of Legislative Decree No. 231/2001, the guidelines provided by relevant trade associations (particularly those of Assobiomedica) and the guidelines published by Confindustria.

Moreover, the Issuer revised its Model to make it consistent with the new requirements of Legislative Decree No. 123/2007 and the rules on market abuse introduced by the TUF. The revised model includes two new Special Sections that concern violations of the accident prevention rules of Legislative Decree No. 81/2008 (Uniform Occupational Safety Code), formerly governed by the provisions of Legislative Decree No. 626/1994, now repealed, and crimes involving market abuse (and manipulation) and abuse of insider information.

In addition, on March 9, 2012, the Board of Directors agreed to amend the Model, adding a Special Section that deals with certain issues listed in Legislative Decree No. 121/2011 concerning environmental crimes.

The Oversight Board currently in office includes the following members: Marco Minolfo, Manager of the Corporate Counsel and Corporate Affairs Department; Luca De Rosa, the Issuer's Internal Control Officer; and an outside professional responsible for the controls required by occupational safety regulations, as set forth in Legislative Decree No. 123/2007 and other pertinent regulations. The Oversight Board is responsible for ensuring that the Model is functioning correctly, is effective and is being complied with, and for recommending updates to the model and Company procedures, when appropriate.

Once a year, the Oversight Board presents to the Board of Directors the findings of its oversight activity, subsequent to discussing them with the Internal Control Committee.

A detailed description of the main characteristics of the risk management and internal control system applied to financial reporting, including consolidated financial statements, as required by Article 123-*bis*, Section 2, Letter b), of the TUF, is provided in the Report on the Company's Operations annexed to the statutory and consolidated financial statements.

### **7.1 *Supervisory Director responsible for the effective implementation of the system of internal control***

The Supervisory Director is responsible for overseeing the effective implementation of the system of internal control, with the support of the Internal Control Committee.

The Supervisory Director, working within and in accordance with the guidelines established by the Board of Directors, is responsible for:

- (a) Identifying corporate risks, based on the characteristics of the Issuer's businesses and of the industries in which it operates, both directly and through Group companies;
- (b) Designing, constructing and managing the system of internal control;
- (c) Monitoring the efficiency, adequacy and effective implementation of the system of internal control;
- (d) Making sure that the system of internal control is updated to address any issues that may have arisen during the monitoring process or as a result of the evolution of the Company's organization or operational structure, changes in the Company's business and changes in the statutory and regulatory framework that may be relevant to the Group.

In performing these tasks, the Supervisory Director relies on the support of the Internal Control Officer and reports to the Board of Directors about the work performed upon request or whenever the Supervisory Director deems it necessary in connection with the occurrence of specific problems.

On April 27, 2010, the Issuer's Board of Directors reappointed Carlo Rosa, the Issuer's Chief Executive Officer and General Manager, to the post of Supervisory Director. Mr. Rosa had been appointed to this post by the previous Board of Directors.

During the course of the year, the Supervisory Director:

- Identified the main corporate risks (strategic, operational, financial and compliance related), taking into account the characteristics of the businesses carried out by the Issuer and its subsidiaries, and submitted them to the Board of Directors for review on a regular basis;
- Implemented the guidelines defined by the Board of Directors, designing, constructing and managing the system of internal control, monitoring on an ongoing basis the system's overall adequacy, effectiveness and efficiency and the need for any adjustments;
- Updated the system in response to changes in operating conditions and in the relevant regulatory framework;
- Reviewed the assessments performed by the Internal Control Officer.

### **7.2 *Internal Control Officer***

The Internal Control Officer, who is not responsible for any operational unit and does not report to any manager of an operational unit, was appointed by the Board of Directors upon a proposal by the Supervisory Director. He is required to perform the following tasks:

- (i) Verify the efficiency, adequacy and effective implementation of the system of internal control;
- (ii) Assist the Supervisory Director in performing the tasks assigned to him;
- (iii) Report at least quarterly to the Supervisory Director, preferably with a written report, and provide the Internal Control Committee and the Board of Statutory Auditors with regular semiannual reports;
- (iv) Immediately inform the Supervisory Director, the Board of Directors and the Internal Control Committee whenever an operational review process uncovers risk profiles that could have a material impact on the Issuer or developments that, potentially, could have a material adverse effect on the Issuer;
- (v) Attend meetings of the Board of Directors and the Internal Control Committee whenever the presence of the Internal Control Officer is requested;
- (vi) Perform any additional tasks that the Board of Directors may choose to assign to the Internal Control Officer, particularly in the area of internal auditing.

On July 20, 2007, the Issuer's Board of Directors appointed to the post of Internal Control Officer the manager of the Internal Audit Department, a function currently performed by Luca De Rosa. The Internal Control Officer:

- Was provided with direct access to all of the information needed to discharge his duties;
- Reported about the work performed to the Internal Control Committee and the Board of Statutory Auditors;
- Reported about the work performed to the Supervisory Director.

### **7.3 Internal Control Committee**

The Board of Directors established an Internal Control Committee to which it appointed non-executive independent Directors, the majority of whom are independent. The Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by the abovementioned Chairman, attends Committee Meetings. The Supervisory Director and, at the Committee's invitation, the Internal Control Officer or other employees whose presence may be deemed useful for the proceedings may also attend Committee meetings.

The Internal Control Committee provides consulting support and makes recommendations to the Board of Directors. Specifically, it is required to do the following:

- (i) It assists the Board of Directors in performing tasks related to the system of internal control, particularly with regard to defining the system's guidelines and assessing on a regular basis the adequacy, efficiency and effective implementation of the system of internal control;
- (ii) At the request of the Supervisory Director, it provides advice on specific issues related to the identification of corporate risks and the design, construction and management of the system of internal control;
- (iii) It reviews the work plan prepared by the Internal Control Officer and the reports that the Internal Control Officer submits every six months;

- (iv) Together with the Accounting Documents Officer and the independent auditors, it assesses the adequacy of the accounting principles used by the Company and the consistency of their use in preparing the consolidated financial statements;
- (v) It evaluates proposals submitted by the independent auditors in connection with the award of the audit assignment, as well as their audit work plan and the conclusions presented in the audit report and the management letter, in addition to monitoring the effectiveness of the auditing process;
- (vi) It reports to the Board of Directors at least once every six months, on the occasion of the approval of the Annual Report and the Semiannual Report, about the work performed and the adequacy of the system of internal control;
- (vii) It performs any additional tasks that the Board of Directors may choose to assign to the Committee, specifically in areas related to the interaction with the independent auditors, the work performed by the Oversight Board pursuant to Legislative Decree No. 231/2001 and the provision of consulting support with regard to related-party transactions.

In the performance of its functions, the Internal Control Committee is authorized to access the information and corporate services it needs to discharge its duties and may retain the support of outside consultants, within the limits determined by the Board of Directors.

Meeting on April 27, 2010, the Board of Directors reappointed the following Directors to the Internal Control Committee: Ezio Garibaldi (independent Director), who serves as Chairman; Franco Moschetti (independent Director) and Enrico Mario Amo (non-executive Director), who has significant expertise in the areas of accounting and finance.

The Committee was not provided with financial resources because the Committee uses the Issuer's resources and organization to discharge its duties.

The number of Committee meetings and the attendance percentage are listed in Schedule 2 annexed to this Report. The Chairman of the Board of Statutory Auditors attended all Committee meetings.

In 2011, the Internal Control Committee carried out a review of the guidelines and implementation effectiveness of the internal control systems adopted by major Group subsidiaries.

## **8. Related-party transactions**

With regard to related-party transactions, on November 5, 2010, the Issuer's Board of Directors adopted a new **Procedure for related-party transactions** in accordance with the regulations governing "Related-party transactions" adopted by the Consob with Resolution No. 17221 of March 12, 2010 (as amended by Resolution No. 17389 of June 23, 2010) to implement Article 2391-*bis* of the Italian Civil Code and Articles 113-*ter*, 114, 115 and 154-*ter* of the TUF.

The Board of Directors established a **Related-party Committee**, to which it appointed the independent Directors Giuseppe Alessandria, Ezio Garibaldi and Franco Moschetti, who was named Committee Coordinator.

The new Procedure went into effect on January 1, 2011 and was published on the Company website ([www.DiaSorin.com](http://www.DiaSorin.com)), as required by the applicable regulations.

## **9. Shareholders' Meeting**

When convened in ordinary session, the Shareholders' Meeting has jurisdiction over the following areas:

- (a) It approves the financial statements;

- (b) It elects and dismisses the Directors, Statutory Auditors and the Chairman of the Board of Directors and the Accounting Control Officer, when one is required;
- (c) It determines the compensation of Directors and Statutory Auditors;
- (d) It votes on resolutions concerning the responsibility of Directors and Statutory Auditors;
- (e) It votes on resolutions concerning other matters over which it has jurisdiction pursuant to law and issues any authorizations that the Bylaws may require in connection with activities carried out by Directors, who are responsible for the actions they perform;
- (f) It approves regulations governing the handling of Shareholders' Meetings;
- (g) It votes on resolutions concerning any other issue over which it has jurisdiction pursuant to law.

The Extraordinary Shareholders' Meeting approves resolutions concerning amendments to the Bylaws; the appointment, replacement and powers of liquidators; and any other issue over which it has specific jurisdiction pursuant to law. The Board of Directors has jurisdiction over the areas listed in Article 15 of the Bylaws, it being understood that it can cede jurisdiction over these issues to the Shareholders' Meeting convened in extraordinary session.

The relevant provisions of the law shall be applied to determine whether an Ordinary or Extraordinary Shareholders' Meeting has been validly convened and its resolutions validly adopted.

Pursuant to Article 9 of the Bylaws, only the holders of voting rights may attend the Shareholders' Meeting, in accordance with the regulations in effect at any given time.

At present, the Issuer finds no need to adopt special regulations to govern the handling of Shareholders' Meetings, since it believes that the governance of the Meeting exercised by the Chairman, in accordance with attendance rules summarized by the Chairman at the beginning of each session, is adequate.

## **10. Treatment of insider information**

Insofar as the issues related to the treatment of insider information are concerned, the Issuer's Board of Directors has adopted the initiatives and/or procedures summarized below, which are designed to monitor access to and circulation of insider information prior to their disclosure to the public and ensure compliance with statutory and regulatory confidentiality requirements.

### ***10.1 Register of parties with access to insider information***

Specifically with regard to the obligation incumbent upon issuers of listed securities, parties linked with them through a control relationship or parties who act in their name or on their behalf to set up the register of parties with access to insider information required pursuant to Article 115-*bis* of the TUF, at a meeting held on February 12, 2007, the Issuer's Board of Directors agreed to adopt a **Procedure for Managing the Register of Parties with Access to Insider Information**. On May 15, 2007, it appointed to the post of Manager of the Register of parties with access to insider information the Manager of the Corporate Counsel and Corporate Affairs Department, a function currently performed by Marco Minolfo.

### ***10.2 Internal Dealing***

On February 12, 2007, in order to address to the disclosure requirements that arise from the new internal dealing regulations set forth in Article 114, Section 7 of the TUF and Articles 152-*sexies*, 152-*septies* and 152-*octies* of the Issuers' Regulations, the Issuer's Board of Directors agreed to

adopt a **Procedure to comply with internal dealing requirements**, appointing to the post of Internal Dealing Officer the Manager of the Corporate Counsel and Corporate Affairs Department, a function currently performed by Marco Minolfo.

### ***10.3 Procedure for the public disclosure of insider information***

On May 15, 2007, with regard to additional issues related to the handling of insider information, the Board of Directors adopted a procedure to regulate the internal handling and public disclosure of price sensitive information.

## **11. Investor Relations**

The Issuer's departments with jurisdiction over this area are actively engaged in an ongoing dialog with the shareholders and with institutional investors.

As part of this process and pursuant to Article 2.2.3, Section 3, Letter j, of the Stock Exchange Regulations, the Company established an internal Investor Relations Office, with responsibility for handling relations with all shareholders, including institutional investors, and may be asked to perform additional tasks in connection with the handling of price sensitive information and relations with the Consob and Borsa Italiana. This office is currently headed by Riccardo Fava.

Consequently, communications with DiaSorin should be e-mailed to [riccardo.fava@DiaSorin.it](mailto:riccardo.fava@DiaSorin.it).

The disclosure of information to investors will also be accomplished by making the more significant corporate information available promptly and on a regular basis on the Issuer's website ([www.DiaSorin.com](http://www.DiaSorin.com)).

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

Pursuant to Article 18 of the Bylaws, the Board of Statutory Auditors is comprised of three Statutory Auditors and two Alternates, who are elected for a three-year term of office and may be reelected.

Statutory Auditors must meet the requirements of the relevant laws currently in force, also with regard to the limits on the number of governance posts they may hold. Specifically, in the areas of professional requirements, for the purposes of the provisions (when applicable) of Article 1, Section 3, of Ministerial Decree No. 162 of March 30, 2000, which makes reference to Section 2, Letters b) and c), of the abovementioned Article 1, it shall be understood that the expression "subject matters closely related to the businesses in which the Issuer is engaged" shall be understood to mean those related to the health-care and medical industries.

The Board of Statutory Auditors performs the tasks and activities required pursuant to law.

Moreover, Statutory Auditors, acting collectively or individually, may ask the Directors to provide information, clarify previous disclosures and, more in general, furnish data about the Company's operating performance or specific transactions. They may also carry out at any time inspections and controls and request information pursuant to law. Two Statutory Auditors, acting jointly, have the right to convene a Shareholders' Meeting.

The Board of Statutory Auditors is required to meet at least once every 90 days.

The provisions of the Issuer's Bylaws (Article 18) that govern the election of the Board of Statutory Auditors effectively ensure compliance with the requirements of Article 148, Section 2-bis, of the TUF introduced by Law No. 262/2005, as amended, which are summarized below.

The Board of Statutory Auditors is elected on the basis of slates of candidates filed by shareholders. Each shareholder, shareholders belonging to a shareholders' agreement that meet the requirements of Article 122 of the TUF, the Company's controlling party, its subsidiaries and joint ventures that qualify as such pursuant to Article 93 of the TUF may not file or participate in the filing, directly or through a third party or a nominee, of more than one slate and may not vote for multiple slates. Each candidate can be included on only one slate, on penalty of losing the right to be elected. Votes cast in violation of this requirement will not be attributed to any slate of candidates.

Only shareholders who represent at least 2% of the voting shares may file slates of candidates. Slates filed by shareholders must be deposited at the Company's registered office at least 25 (twenty-five) days prior to the date of the first calling of the Shareholders' Meeting, on penalty of becoming invalid, together with the documents required by the Bylaws. The abovementioned documents must include the following:

- (i) Information identifying the shareholders who are filing the slates and showing the total percentage interest held;
- (ii) An affidavit by the shareholders different from those who hold, jointly or individually, a controlling or relative majority interest attesting that they are not linked with the latter as a result of transactions such as those defined in the relevant laws and regulations currently in force;
- (iii) Detailed information about the candidates' backgrounds, affidavits by the candidates attesting that they meet statutory requirements and accept the nomination and listings of any management and control posts held by the candidates at other companies..  
In addition, the requisite certification, issued by an intermediary qualified pursuant to law, attesting that, at time that the slate of candidates is filed with the Company, the filer owned the required number of shares, must be deposited within the deadline set forth in the regulations governing the publication of slates of candidates by the Company.

If the conditions set forth above are not complied with, the affected slate shall be treated as if it had never been filed.

The election system set forth in the Bylaws is as follows:

- (a) The Statutory Auditor candidate listed first in the slate that received the second highest number of votes and is not in any way linked, directly or indirectly, with the parties who filed the slate that received the highest number of votes is elected to the post of Chairman of the Board of Statutory Auditors;
- (b) The candidates listed, respectively, first and second in the slate that received the highest number of votes are elected to the post of Statutory Auditor. Alternate candidates who are listed first in the slates that received the highest and second highest number of votes are elected to the post of Alternate.

If two or more slates receive the same number of votes, a new balloting is held.

If the outcome of the second balloting is still a tie, the slate filed by the shareholders controlling the largest equity interest or, failing that, the slate filed by the largest number of shareholders shall prevail.

If only one slate of candidates is filed, the Statutory Auditors and Alternates are elected from that slate.

If no slates are filed, the Shareholders' Meeting shall adopt the relevant resolutions with the majorities required pursuant to law.

If a Statutory Auditor needs to be replaced, he/she is replaced by an Alternate taken from the same slate as the Statutory Auditor who is being replaced. The Alternate thus elected will serve until the next Shareholders' Meeting.

If the Chairman of the Board of Statutory Auditors needs to be replaced, the Chairmanship will pass to the Statutory Auditor elected from the same minority slate.

When the Shareholders' Meeting needs to elect replacement Statutory Auditors and/or Alternates, it shall proceed as follows: if the Statutory Auditors that need to be replaced had been elected from the majority slate, they shall be elected by a plurality of the votes, without any slate requirements; if, on the other hand, the Statutory Auditors that need to be replaced had been elected from the minority slate, the Statutory Auditors are elected by a plurality of the votes taking them from the slate to which the Statutory Auditors who are being replaced belonged. If, for any reason, the use of the abovementioned procedures would not result in the replacement of Statutory Auditors designated by minority shareholders, the Shareholders' Meeting shall act by a plurality of the votes. However, in the ballot counting process, the votes cast by shareholders who, based on disclosures provided pursuant to current laws, control, directly or indirectly or jointly with other members of a shareholders' agreement, as defined in Article 122 of the TUF, a majority of the votes that may be cast at a Shareholders' Meeting and shareholders who control, are controlled by or are subject to joint control by the former shall not be counted.

Additional information about the method used to elect the Board of Statutory Auditors is provided in Article 18 of the Bylaws. The Board of Statutory Auditors in office as of the date of this Report was elected by the Ordinary Shareholders' Meeting of April 27, 2010 for a term of office that ends with the approval of the financial statements for the year ended December 31, 2012.

The members of the Board of Statutory Auditors currently in office are listed below:

<b>First and last name</b>	<b>Place and date of birth</b>	<b>Post held</b>	<b>Domicile for post held</b>
Roberto Bracchetti	Milan, May 23, 1939	Chairman Statutory	Saluggia (VC) Via Crescentino nbn
Bruno Marchina	Turin, February 11, 1941	Auditor Statutory	Saluggia (VC) Via Crescentino nbn
Andrea Caretti	Turin, September 14, 1957	Auditor	Saluggia (VC) Via Crescentino nbn
Maria Carla Bottini	Legnano (MI), July 7, 1960	Alternate	Saluggia (VC) Via Crescentino nbn
Umberto Fares	Genoa, June 7, 1957	Alternate	Saluggia (VC) Via Crescentino nbn

Pursuant to Articles 144 *octies* and 144 *decies* of the Issuers' Regulations, the professional curricula of the Statutory Auditors and the Alternates are available at the Issuer's registered office.

The Board of Statutory Auditors, taking also into account the requirements for Directors that are set forth in the Corporate Governance Code, assesses the independence of its members upon their election and at least once a year while they are in office.

The Board of Statutory Auditors assesses periodically the independence of the Independent Auditors and provides each year its opinion on this issue in a report to the Shareholders' Meeting.

In discharging its duties, the Board of Statutory regularly coordinated its activity with the Internal Auditing Department and the Internal Control Committee, and interfaced with the manager of the Internal Auditing Department.

The schedule that follows lists the other companies with shares traded on regulated markets or financial, banking or insurance companies or companies of a significant size in which the members



of the Board of Statutory Auditors currently serve in a management, governance or oversight capacity or held investments as shareholders.

## **SCHEDULE OF THE POSTS HELD BY STATUTORY AUDITORS**

(including posts held at other listed companies or financial, banking or insurance companies or companies of a significant size)

<b>POST HELD AT DIASORIN</b>	<b>FIRST AND LAST NAME</b>	<b>OTHER POSTS HELD</b>
Chairman of the Board of Statutory Auditors	Roberto Bracchetti	Fidim S.r.l. (Statutory Auditor) Frullo Energia Ambiente S.p.A. (Chairman Board of Statutory Auditors) AlSCO Italia S.p.A. (Chairman Board of Statutory Auditors) Alstom S.p.A. (Statutory Auditor) Coface Assicurazioni S.p.A. (Statutory Auditor) Coface Factoring Italia S.p.A. (Statutory Auditor) Sorgenia S.p.A. (Statutory Auditor) Sorgenia Power S.p.A. (Statutory Auditor) Rottapharm S.p.A. (Statutory Auditor) Sorgenia Holding S.p.A. (Statutory Auditor) Prelios S.p.A. (Statutory Auditor) Pirelli Tyre S.p.A. (Statutory Auditor) Verbund Italia S.p.A. (Member of Oversight Board)
Statutory Auditor	Bruno Marchina	-
Statutory Auditor	Andrea Caretti	Fonti di Vinadio S.p.A. (Chairman Board of Statutory Auditors) Fibe S.r.l. (Chairman Board of Statutory Auditors)
Statutory Auditor	Maria Carla Bottini	Npo Sistemi S.p.A. (Statutory Auditor) Madiventura S.p.A. Statutory Auditor Ideal Standard Italia S.p.A. Statutory Auditor
Alternate	Umberto Fares	OCAP S.p.A. (Chairman Board of Statutory Auditors) Credit Leader Società Finanziaria S.p.A. (Alternate)

**SCHEDULE 1**  
**POSTS HELD BY DIRECTORS OF THE ISSUER DIASORIN S.p.A.**

(including posts held at other listed companies or financial, banking or insurance companies or companies of a significant size)

<b>FIRST AND LAST NAME</b>	<b>COMPANY WHERE THE DIRECTOR SERVES ON A GOVERNANCE BODY OR IN WHICH HE HOLDS AN EQUITY INTEREST</b>	<b>POST OR EQUITY INTEREST HELD</b>
Gustavo Denegri	Finde S.p.A. IP Investimenti e Partecipazioni S.r.l. Industria & Finanza SGR S.p.A. Emmegi Detergents S.p.A. Aurelia S.p.A. Finde S.S.	Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Director Chairman of the Board of Directors Director – Shareholder
Antonio Boniolo	-	-
Carlo Rosa	Sarago S.r.l. BioInvestment SA DiaSorin SA DiaSorin Ltda TOP S.r.l. CID S.p.A. DiaSorin INC	Shareholder – Sole Director Shareholder Shareholder Shareholder Director Shareholder Director
Chen M. Even	Glycominds LTD (Israel) DiaSorin Ltd (Israel) CID S.p.A. DiaSorin SA/NV DiaSorin SA DiaSorin INC DiaSorin Ltd (sino JV) DiaSorin Iberia SA DiaSorin Mexico SA de CV DiaSorin Australia Pty Ltd Biotrin Group Limited DiaSorin I.N.UK Limited Biotrin International Limited Biotrin Intellectual Properties Limited	Shareholder – Director Director Shareholder – Director Shareholder – Director Shareholder – Director Director Director Director Shareholder – Director Shareholder – Director Director Director Director Director Director
Enrico Amo	IP Investimenti e Partecipazioni S.r.l. Industria & Finanza SGR S.p.A. CID S.p.A.	Director Director Director
Michele Denegri	Finde S.p.A. IP Investimenti e Partecipazioni S.r.l. CID S.p.A. Aurelia S.p.A. Finde S.S.	Chief Executive Officer - Shareholder Chief Executive Officer Director – Deputy Chairman Chief Executive Officer Shareholder – Director
Giuseppe Alessandria	Euren Intersearch Lobe S.r.l.	Director – Shareholder Chairman – Shareholder
Franco Moscetti	Fideuram Investimenti SGR s.p.a. Touring Club Italiano Amplifon S.p.A.	Director Director CEO – General Manager
Ezio Garibaldi	Bimba S.S. Chiara S.S.	Director – Shareholder Director – Shareholder
Gian Alberto Saporiti	IP Investimenti e Partecipazioni S.r.l. Finde S.p.A. Industria & Finanza SGR S.p.A. CID S.p.A.	Deputy Chairman Director Director Shareholder

## SCHEDULE 2

### STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES\*

BOARD OF DIRECTORS							INTERNAL CONTROL COMMITTEE		COMPENSATION COMMITTEE	
Post held	First and last name	Executive	Non-executive	Independent	****	No. of other posts held**	***	****	***	****
<b>Chairman</b>	Gustavo Denegri		x		100%	3				
<b>Deputy Chairman Director</b>	Antonio Boniolo		x		100%	0				
<b>Chief Executive Officer</b>	Carlo Rosa	x			100%	1				
<b>Director</b>	Chen M. Even	x			100%	1				
<b>Director</b>	Michele Denegri		x		88%	2			x	100%
<b>Director</b>	Enrico Amo		x		100%	2	x	100%		
<b>Director</b>	Giuseppe Alessandria			x	100%	0			x	100%
<b>Director</b>	Franco Moscetti			x	100%	2	x	100%		
<b>Director</b>	Ezio Garibaldi			x	100%	0	x	100%	x	100%
<b>Director</b>	Gian Alberto Saporiti		x		88%	3				

Notes:

\* Board of Directors elected on April 27, 2010.

\*\* Posts held at other companies with shares traded on regulated markets or financial, banking or insurance companies or companies of a significant size.

\*\*\* An "X" indicates membership in the Committee.

\*\*\*\* This column shows each member's percentage of attendance at Committee meetings during the year ended December 31, 2011.

## OVERVIEW OF MEETINGS

### BOARD OF DIRECTORS AND COMMITTEES

Number of meetings held in 2011	Board of Directors: 9	Internal Control Committee: 4	Compensation Committee: 3
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Notes:

1. The Issuer did not establish an Executive Committee.
2. Except for the Related-party Committee, the Committees and their members are the same as those under the previous Board of Directors.
3. The Related-party Committee and the Nominating Committee held no meetings during the year ended December 31, 2011.

### BOARD OF STATUTORY AUDITORS\*

<b>Post held on the Board of Statutory Auditors*</b>	<b>First and last name</b>	<b>Percentage of attendance at meetings of the Board of Statutory Auditors**</b>	<b>Number of other posts held</b>
Chairman	Roberto Bracchetti	100%	13
Statutory Auditor	Bruno Marchina	100%	0
Statutory Auditor	Andrea Caretti	100%	2
Alternate	Bottini Maria Carla	-	3
Alternate	Umberto Fares	-	2
Number of meetings held in 2011: 6			
Quorum required for the filing of minority slates of candidates to elect one or more Statutory Auditors (pursuant to Article 148 of TUF): 2%			

Notes:

- \* Board of Statutory Auditors in office from March 26, 2007 to April 27, 2010.  
\*\* Period from January 1, 2011 to December 31, 2011.

**ADDITIONAL REQUIREMENTS OF THE CORPORATE GOVERNANCE CODE**

	YES	NO	Brief explanation of the reasons for any deviation from the Code's recommendations
Proxy system and related-party transactions			
When delegating power, did the Board of Directors define:	X		
a) limits	X		
b) method of exercise	X		
c) and timing of regular reports?	X		
Did the Board of Directors reserve the right to review and approve material transactions affecting the Company's income statement, balance sheet and financial position (including related-party transactions)?	X		
Did the Board of Directors define guidelines and criteria to identify material transactions?	X		
Are these guidelines and criteria described in the Report?		X	They are described in the ad hoc Company procedure
Has the Board of Directors established special procedures to review and approve related-party transactions?	X		
Are the procedures for the approval of related-party transactions described in the Report?	X		The Report shows where they are available
Procedures followed in the most recent election of Directors and Statutory Auditors			
Were nominations to the Board of Directors filed at least 10 days in advance?	X		
Were the nominations to the Board of Directors accompanied by exhaustive information?	X		
Were the nominations to the Board of Directors accompanied by affidavits stating that the candidates qualified as independent?	X		
Were nominations to the Board of Statutory Auditors filed at least 10 days in advance?	X		
Were the nominations to the Board of Statutory Auditors accompanied by exhaustive information?	X		
Shareholders' Meetings			
Has the Company adopted Regulations for the Conduct of Shareholders' Meetings?		X	The rules are summarized by the Chairman at the beginning of each session
Have these Regulations been annexed to the Report (or is there an indication where they may be obtained or downloaded)?		X	
Internal Control			
Has the Company appointed Internal Control Officers?	X		
Are the Internal Control Officers hierarchically independent of operating managers?	X		
Department responsible for internal control (as required by Article 9.3 of the Code)	Internal Auditing Department		
Investor Relations			
Has the Company appointed an Investor Relations Manager?	X		
Organizational unit and contact information (address/phone/fax/e-mail) of the Investor Relations Manager	Investor Relations Office +390161487988		