

**TECNOINVESTIMENTI S.p.A.**

**REPORT ON CORPORATE GOVERNANCE AND  
OWNERSHIP STRUCTURE FOR THE YEAR 2017**

**pursuant to art. 123-bis TUF**

**(management model and traditional control)**

**Approved by the Board of Directors on 14 March 2018**

**Website [www.tecnoinvestimenti.it](http://www.tecnoinvestimenti.it)**

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## GLOSSARY

In this report, except in cases where the context gives a different meaning, the following terms and expressions, where distinguished by an initial capital, will have the meaning given below:

<b>Code/Code of Self-Regulation</b>	The Code of Self-Regulations for listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
<b>Civ. Code/CC</b>	The Civil Code.
<b>Board/Board of Directors</b>	The Board of Directors of Tecnoinvestimenti S.p.A.
<b>Board of Statutory Auditors</b>	The Board of Statutory Auditors of Tecnoinvestimenti S.p.A.
<b>Year</b>	The financial year to which the Report refers, ended on 31 December 2017.
<b>Instructions for the Stock Market Regulations</b>	The Instructions for the Regulations for Markets organised and managed by Borsa Italiana S.p.A.
<b>MTA</b>	Electronic Stock Market organised and managed by Borsa Italiana S.p.A.
<b>Stock Market Regulations</b>	The Regulations for Markets organised and managed by Borsa Italiana S.p.A.
<b>Issuers Regulations</b>	The Regulations implementing the TUF, adopted by CONSOB with resolution no. 11971 of 1999, as amended.
<b>Report</b>	The report on corporate governance and ownership structure that companies are obliged to draft pursuant to article 123-bis of the TUF.
<b>Remuneration Report</b>	The report drafted pursuant to art. 123-ter of the TUF.

<b>Website</b>	The Company's website <a href="http://www.tecnoinvestimenti.it">www.tecnoinvestimenti.it</a> .
<b>Company or Issuer</b>	Tecnoinvestimenti S.p.A.
<b>Articles of Association</b>	The articles of association of Tecnoinvestimenti S.p.A., published on the Company's Website.
<b>Consolidated Finance Law/TUF</b>	Legislative Decree of 24 February 1998, no. 58.

Please note that in the text of the Report other definitions may be inserted.

## 1. ISSUER'S PROFILE

As a result of the aforementioned authorisation orders issued by the competent stock exchange and market authorities – specifically, (i) order no. 8234 dated 13 July 2016, whereby Borsa Italiana provided for the admission of shares in Tecnoinvestimenti S.p.A. for trading on the MTA, attributing to the Company's shares the qualification of STAR, and (ii) order no. 0065535/16 of 14 July 2016, whereby CONSOB approved the information prospectus relating to the public offering of shares in the Company aimed at the admission for trading of the said shares on the MTA – the Company's shares are listed and traded on the MTA as of 30 August 2016.

In view of the above, over the course of 2016, Tecnoinvestimenti adopted a notable series of measures (in the form of resolutions, policies, procedures, etc.) in order to adjust its corporate governance structure in line with the recommendations of the Code of Self-Regulation – to which the Company decided to adhere with the resolution taken by the Board of Directors at its meeting on 17 May 2016 – or established by the main provisions (including of a regulatory nature) of reference for listed companies, including the TUF and the Issuers Regulations.

Tecnoinvestimenti's corporate governance system, broken down according to the traditional model, is centred on the role as a strategic guide of the Board of Directors; on transparency of managerial decisions both within the Company and in relation to the market; on the efficiency and efficacy of the internal control system; on the rigorous regulation of potential conflicts of interest and on solid principles of conduct for carrying out related-party transactions.

With this Report, Tecnoinvestimenti provides the market with the information required by art. 123-bis of the TUF and by the regulatory provisions in force on the corporate governance system adopted by the Company as well as on the ownership structure relating thereto. In line with the recommendations of the Code of Self-Regulation.

This Report – drafted taking into account the instructions drawn up by Borsa Italiana – also contains accurate and exhaustive information on the means whereby the Company adheres to the principles and criteria set out by the Code of Self-Regulation. Any failure to adhere to certain specific provisions of the Code of Self-Regulation is justified in the section of the Report concerning relevant governance practice otherwise applied by the Company, as per the comparison table below.

All information contained in the Report, unless otherwise indicated, is updated on the basis of information available on the date of its approval.

## **2. INFORMATION on OWNERSHIP STRUCTURE (pursuant to art. 123-bis, paragraph 1, of the TUF) as at 31 December 2017**

### **a) Structure of share capital (pursuant to art. 123-bis, paragraph 1, letter a), of the TUF)**

As at 31 December 2017, the subscribed and paid-up share capital amounts to Euro 46,573,120.00 and is subdivided into 46,573,120 ordinary shares, with no indication of nominal value.

The Company's shares are all registered, indivisible and freely transferable; they are currently listed on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. (STAR segment), as of 30 August 2016.

#### Tecnoinvestimenti 2016-2019 Warrants

On 4 February 2016, the Extraordinary Meeting of Tecnoinvestimenti decided to increase the share capital as proposed by the Board of Directors and notified on 15 December 2015. The capital increase takes place through the issue of a maximum of 951,000 ordinary shares, equal to 3% of current share capital, placed at the service of the same number of warrants (Tecnoinvestimenti 2016-2019 Warrants) which will be issued at the same time in favour of the Shareholder Cedacri. The 2016-2019 Warrants will be assigned free of charge to Cedacri, are not transferable and give the right to subscription of new shares at a ratio of one new share for each warrant possessed, to be exercised in three tranches and in the same number of time windows (between 5 July and 30 September inclusive in the years 2017–2018–2019), after certain annual turnover objectives for the years 2016/2018 are achieved. Cedacri, in fact, has launched and is engaged in industrial collaborations with the companies of the Tecnoinvestimenti Group and, in relation to the commitment to develop certain business levels, may increase its stake in the company, up to a further 3% of capital, as established by the agreement signed on 24 November 2014, which was the object of an appropriate press release, after which through subsequent negotiations, including beyond the timeframes originally envisaged, the parties proceeded to define the relative conditions. The issue price of Tecnoinvestimenti shares in the service of the warrants is defined, within the limits allowed by applicable regulations, at Euro 3.40 per share. The final deadline for any exercising of warrants and, therefore, the subscription of new shares is fixed for 30 September 2019.

On 17 October 2017, pursuant to art. 85-bis of CONSOB Regulation no. 11971/1999 ("Issuers' Regulation") and 2.6.2, paragraph 1, letter a) of the Stock Market Regulations organised and managed by Borsa Italiana S.p.A., and also in reference to the press release of 11 October 2017, Tecnoinvestimenti S.p.A. submitted to the Rome Companies Register the certification of execution of the share capital increase pursuant to art. 2444 of the Civil Code, and announced the new composition of share capital, following implementation of the resolution by the Company's Board of Directors of 11 October 2017, as indicated in the following table:

	Current share capital			Previous share capital		
	Euro	Number of shares	Nominal unit value (no nominal value)-	Euro	Number of shares	Nominal unit value (no nominal value)-
<b>Total, of which:</b>	<b>46,573,120</b>	<b>46,573,120</b>	<b>(no nominal value)-</b>	<b>46,256,120</b>	<b>46,256,120</b>	<b>(no nominal value)-</b>
<b>Ordinary shares (ex-dividend date: 1 January 2017 for coupon no. 5 maturing)</b>	<b>46,573,120</b>	<b>46,573,120</b>	<b>(no nominal value)-</b>	<b>46,256,120</b>	<b>46,256,120</b>	<b>(no nominal value)-</b>

For any further information relating to the structure of the share capital, please refer to Table 1 attached.

#### Virtual Stock Option Plan

The payment policy adopted by the Company entails the use of incentive plans based on financial instruments. In particular, on 31 May 2016, the following were approved: the “Guidelines for a virtual Stock Option plan” aimed at key managers in Tecnoinvestimenti, including their executive directors (the “Guidelines for the Incentive Plan”).

On 22 June 2016, the Board of Directors approved the Regulations concerning the incentive plan (the “Regulations”) which establishes, inter alia, the conditions for exercising options, with maturation for increasing pre-established instalments between 18 and 36 months and the issue of a maximum number of 500,000 options that can be exercised in the period between 31 January 2018 and 31 July 2020, in the ratio of 1 figurative share for each option.

The purpose of the plan, pursuant to art. 2.2.3 of the Regulations for markets organised and managed by Borsa Italiana S.p.A. with reference to the STAR segment requirements and in accordance with the principles of article 6 of the Code of Conduct for Listed Companies with regard to the remuneration of executive directors, is to align the interests of investors and senior key managers of the Tecnoinvestimenti group, introducing for the latter a medium-to-long-term remuneration system corresponding to the growth in value of shares and consequently the creation of sustainable value for Shareholders.

On 14 November 2016, the Board of Directors approved the allocation of virtual stock options, in the context of the Plan intended for senior key managers of Tecnoinvestimenti aimed at paying deferred sums corresponding to the growth in value of the Company’s shares and thus without the issue of new Tecnoinvestimenti shares and without dilution for Shareholders. In particular, the entire allocation of the maximum



500,000 options was approved, of which to the Managing Director, Pier Andrea Chevallard, 300,000 options, of which 90,000 exercisable between 31.01.2018 and 31.07.2020 and 210,000 exercisable between 31.07.2019 and 31.07.2020. The other 200,000 options were allocated to the Company's Senior Key Managers, of which 60,000 options can be exercised between 31.01.2018 and 31.07.2020 and 140,000 can be exercised between 31.07.2019 and 31.07.2020.

Please note, finally, that in accordance with the incentive Plan, the allocation of options to the recipients is free of charge. The sum due to each of the recipients as a result of the actual exercising of the options is calculated according to the difference between (i) the Benchmark Value, meaning the mean weighted price on the basis of the quantities exchanged of each individual Tecnoinvestimenti share on the MTA in the calendar month preceding each notification of the exercising of an option, and (ii) the Allocation Value equal to Euro 3.4 for each ordinary Tecnoinvestimenti share.

Tecnoinvestimenti has not issued other categories of shares, or other financial instruments that can be converted or exchanged with shares.

**b) Restrictions on the transfer of securities (pursuant to art. 123-bis, paragraph 1, letter b), of the TUF)**

There are no restrictions on the transfer of securities, such as, for example, limits on the possession of securities or the need to obtain permission from the Company or from other Shareholders.

**c) Relevant holdings in capital (pursuant to art. 123-bis, paragraph 1, letter c), of the TUF)**

On the basis of the available information and communications received pursuant to art. 120 of the TUF, the holders of stakes higher than 5% of share capital are, on the date of the Report:

Declarant	Direct Shareholder	% shareholding of ordinary capital	% shareholding of voting capital
TECNO HOLDING S.p.A.	TECNO HOLDING S.p.A.	56.509%	56.509%
QUAESTIO ITALIAN GROWTH FUND	QUAESTIO ITALIAN GROWTH FUND	9.937%	9.937%

**d) Securities conferring special rights (pursuant to art. 123-bis, paragraph 1, letter d), of the TUF)**

The Company has not issued shares conferring special rights of control.

**e) Shareholding by employees: mechanism for exercising voting rights (pursuant to art. 123-bis, paragraph 1, letter e), of the TUF)**

No particular mechanisms for exercising voting rights in a potential system of shareholding by employees are envisaged.

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

The Articles of Association do not establish any restrictions on voting rights.

**g) Agreements between Shareholders (pursuant to art. 123-bis, paragraph 1, letter g), of the TUF)**

On the date of the Report, the Company is not aware of the existence of agreements pursuant to art. 122 of the TUF concerning the Company's shares.

**h) Change of control clauses (pursuant to art. 123-bis, paragraph 1, letter h), of the TUF) and statutory provisions regarding takeover bids (pursuant to arts. 104, paragraph 1-ter, and 104-bis, paragraph 1, of the TUF)**

In relation to the loan contract stipulated by the company with Cariparma S.p.A. - also acting as agent - and Banca Popolare FriulAdria S.p.A., the withdrawal of lenders is envisaged should there be a change of control of Tecnoinvestimenti S.p.A. or loss of control by Tecnoinvestimenti S.p.A. of Assicom Ribes S.p.A.

In relation to the loan contract with UBI Banca S.p.A., should Tecno Holding cease to be, for whatever reason, directly or indirectly transparent, the owner of at least 30.1% of the share capital with voting rights, or to own, directly or indirectly transparent, the corporate rights necessary, pursuant to the law or to the Articles of Association, to appoint the majority of members of the relative management body; or in adopting any resolution of the ordinary and/or extraordinary Shareholders' meeting and/or relevant management body, any party is or becomes holder of a stake in the share capital of the Company in an amount equal to at least the threshold envisaged by article 106 of the TUF (or by the relative applicable regulations), above which there is an obligation to conduct a public offer for the purchase of all the shares.

On the present date, the Company is not aware either of Shareholders' agreement or of other agreements the implementation of which could give rise to a change in the control structure of the Company.

With regard to takeover bids, in the Company's Articles of Association there are no clauses providing for exemption from the passivity rule or establishing neutralisation rules.

**i) Delegations to increase share capital and authorisations for the purchase of own shares (pursuant to art. 123-bis, paragraph 1, letter m), of the TUF)**

No delegations are envisaged for the Board of Directors to implement increases of share capital pursuant to art. 2443 of the civil code. The Directors do not have the power to issue financial instruments representing shareholdings.

As at 31 December 2017 the Company does not possess own shares. On the date of this Report there have been no changes compared with 31 December 2016.

### **I) Management and coordination activities (pursuant to art. 2497 ff of the Civil Code)**

Although Tecno Holding exercises control over the Company and, consequently, includes the Company in its consolidated financial statements, as at 31 December 2017 the Company is not subject to management and coordination activities (pursuant to article 2497 ff of the Civil Code) by any party, including Tecno Holding, as none of the factors that, typically, are considered relevant by doctrine and practice in order to affirm the existence of a situation of management and coordination by the parent company are present.

Generally, in fact, pursuant to Article 2497-sexies of the Civil Code, while it is presumed, unless there is proof to the contrary, that management and coordination activities are exercised by the party required to consolidate the financial statements, this presumption does not apply to the present case for the following reasons:

- (i) the Company operates in conditions of corporate and entrepreneurial autonomy, with, in particular, an independent business capacity in relations with customers and suppliers and to define its own strategic and developmental lines without any interference from parties outside the Company;
- (ii) the Shareholder Tecno Holding does not in fact exercise functions centralised at the level of the group that involve Tecnoinvestimenti (e.g. strategic planning, control and legal affairs of the group);
- (iii) the Company's Board of Directors operates in full managerial autonomy; and
- (iv) it is not subject by the parent company Tecno Holding to any treasury service or other functions of assistance or financial coordination.

\* \* \*

Please note that the information required by article 123-bis, first paragraph, letter i) of the TUF, relating to compensation to directors in the event of resignation, dismissal or cessation of the relationship as a result of a takeover bid, is given in the Remuneration Report. Please therefore refer to the Remuneration Report published pursuant to art. 123-ter of the TUF and available on the Company's website.

With regard to the information required by article 123-bis, first paragraph, letter l) of the TUF, regarding the rules applicable to the appointment and replacement of directors and statutory auditors as well as changes to the articles of association, if different from supplementary legislative and regulatory information, these are illustrated in the sections of the Report dedicated to the Board of Directors (Section 4) and to the Board of Statutory Auditors (Sections 13 and 14).

### **3. COMPLIANCE (pursuant to art. 123-bis, paragraph 2, letter a), of the TUF)**

The Issuer has adapted to the Code of Self-Regulation, substantially aligning itself with the principles of corporate governance contained therein.

The Code of Self-Regulation is accessible to the public on the website of Borsa Italiana [www.borsaitaliana.it](http://www.borsaitaliana.it).

Neither the Issuer nor the companies controlled by it are subject to non-Italian legal provisions that influence the corporate governance structure of the Issuer.

#### **4. BOARD OF DIRECTORS**

##### **4.1. APPOINTMENT AND REPLACEMENT (pursuant to art. 123-bis, paragraph 2, letter I), of the TUF**

The appointment and replacement of members of the Board of Directors are regulated by articles 10 and 11 of the Articles of Association, published on the website in the section Governance/corporate documents; in accordance with the comment in article 5 of the Code of Self-Regulation, the appointment of members of the Board of Directors occurs through a transparent procedure that, as required by regulations in force, is aimed at ensuring at least the election of two members of the Board of Directors itself.

Articles 10 and 11 of the Articles of Association are reproduced below in full.

##### **Article 10 - Directors: Number, appointment and term of office**

*The Company is managed by a Board of Directors composed of a minimum of 5 (five) up to a maximum of 13 (thirteen) members, who remain in office for three years, with their term ending on the date of the Shareholders' Meeting convened for the approval of the financial statements of the last period of their term.*

*The Directors must meet all the requirements set forth in all applicable regulations or other provisions in force and in the Articles of Association, and they are re-electable. Furthermore, no less than three Directors must meet the independence requirements pursuant to art. 148, paragraph 3 of Legislative Decree no. 58/1998. The composition of the Board of Directors must ensure a balance between male and female genders in compliance with all applicable regulations or other provisions in force.*

*If a Director no longer meets the independence requirements, his/her office is terminated, unless the minimum number of Directors who must meet these requirements, as set forth in these Articles of Association, continue to meet the independence requirements, without prejudice to the obligation to immediately inform the Board of Directors of said condition.*

*The Shareholders' Meeting must determine the number of members of the Board before they are appointed.*

*The Board of Directors is appointed by the Shareholders' Meeting based on the lists in which a consecutive number is assigned to each candidate.*

*Every candidate may appear on only one list, under penalty of ineligibility.*

*Each list must contain the number of candidates who meet the independence requirements, as set forth in art. 148, paragraph 3 of Legislative Decree no. 58/1998, and that must be equal to at least the minimum number set forth in these Articles of Association. Such candidates must be clearly identified.*

*The lists with a number of candidates equal to or exceeding three, must comprise candidates belonging to both genders (male and female), with the least represented gender being at least equal to 1/3 of the total candidates (rounded up or down).*

*The lists may be submitted by the Shareholders who, individually or jointly with other submitting Shareholders, are the holders, as at the date of the submission of the lists, of shares with right to vote at the Shareholders Meeting convened for the appointment of the Board of Directors and Auditors, and that must represent a percentage of investment in the share capital, as subscribed at the submission date of the list, equal, at least, to: i) 2.5% (two point five percent of the share capital) or ii) the percentage set forth in the laws or regulations if different from the percentage indicated in i).*

*The Notice for convening a Shareholders' Meeting to resolve on the appointment of the Board of Directors must indicate the percentage of investment required for the submission of the candidate lists.*

*The Shareholders may not submit individually or jointly, nor, as for any other Shareholder with the right to vote, may they vote, not even through a third party or trustee, on more than one list. In addition, the Shareholders who: i) belong to the same group (or pursuant to art. 93 of Legislative Decree no. 58/1998, are in a control relationship with each other or are subject to joint control, even if the controlling party is a physical person), or ii) participate in a shareholders' agreement under art. 122 of Legislative Decree no. 58/1998 concerning the shares of the company, or iii) participate in such shareholders' agreement and are, pursuant to the law, controlling or controlled by, or subject to a joint control by, one of these participating Shareholders, may not submit individually or jointly with others more than one list, nor, as for any other Shareholder with the right to vote, may they vote on different lists. The agreements and votes expressed in breach of said prohibition shall not be attributed to any list.*

*The lists, accompanied by the curricula of the candidates, containing comprehensive information on the personal and professional profile of each of them and signed by the Shareholders who have submitted them, or by their representatives, with the indication of each Shareholder's identity and the total percentage of shares held at the date of submission, must be lodged at the registered office at least by the twenty fifth day prior to the date scheduled for the Shareholders' Meeting, in first or only call. However, all related certification(s) or communication(s) attesting to the above investment and issued by an authorised intermediary pursuant to the laws or regulations, may be sent even later as long as they are received within twenty one days before the date scheduled for the Shareholders' Meeting in first or only call.*

*At the time of the submission of the list, the candidates must also lodge the declarations with which they accept their candidacy and declare, under their own responsibility:*

*1) the non-existence of causes for ineligibility for election and incompatibility, as well as the existence of the requisites required based on what is set out in current primary and secondary legislation;*

2) compliance with the independence requirements as set forth in art. 148 paragraph 3 of Legislative Decree no. 58/1998.

*The lists submitted without the forgoing provisions being observed are considered as not submitted.*

*The lists and information provided together with them will be advertised pursuant to the regulations, also regulatory, currently in force. The appointment of the Directors takes place as follows:*

*a) from the list that has obtained, at the Shareholders' Meeting, the majority of votes (hereinafter "Majority List"), a number of Directors, representing the total number of Board members, as previously resolved on by the Shareholders' Meeting (rounding down to the lower unit, in the event of a fraction number lower than the unit) minus two members to be appointed from the minority list as stated in subsequent letter b), shall be appointed according to the consecutive numbers assigned to them on the list, without prejudice to the provisions regarding a gender balance in compliance with all applicable regulations or other provisions in force; b) from the lists, other than the one under previous letter a), not related in any way, not even indirectly, pursuant to all applicable regulations or other provisions in force, with the Shareholders who have submitted or voted for the list described in previous letter a), two Directors shall be appointed, proportionally to the percentage of votes obtained: to this purpose, the votes obtained by each list will be subsequently divided by one and by two. The quotients obtained are then progressively assigned to the candidates of each list, in accordance with their respective order. The quotients assigned to the candidates of the different lists shall be grouped together in one decreasing ranking list. Those who have obtained the highest quotients will be appointed. If more than one candidate obtains the same quotient, the one belonging to the list from which no Director has been appointed - or with the smallest number of appointed Directors - shall be elected. If no Director or the same number of Directors has been appointed from any of these lists, the candidate of the list with the highest number of votes shall be elected. In the event of a tie of the list votes - and therefore of the quotients - the Shareholders' Meeting shall vote again and the candidate who obtains the simple majority of votes is elected.*

*For the purpose of the above, the lists that have not obtained a percentage of votes at least equal to half of the percentage required for the submission of the lists to be voted on will not be taken into consideration.*

*If, after following this procedure:*

*- the composition of the Board of Directors does not comply with all applicable regulations or other provisions in force in terms of gender balance, the*

*candidate of the more represented gender, elected last based on the consecutive number in the list that has obtained the highest number of votes, shall be replaced by the first candidate, based on consecutive numbers, of the least represented gender not elected from the same list.*

*This substitution procedure will be adopted until the composition of the Board of Directors is compliant with all applicable regulations or other provisions in force in terms of gender balance. Finally, if this*

*procedure does not ensure the aforementioned results, the replacement will be based on a resolution issued by the Shareholders' Meeting, with a relative majority, upon submission of candidates belonging to the least represented gender;*

*- the number of appointed Directors meeting the independence requirements under art. 148, paragraph 3 of Legislative Decree no. 58/1998, does not reach the minimum number versus the total number of Directors, as stated in these Articles of Association, the candidate(s) who does(do) not meet these requirements, and was(were) elected last according to the consecutive numbers of the list that has obtained the highest number of votes, under previous letter a), shall be replaced by the first candidate(s) based on the same consecutive order, who meets/meet these requirements and was/were not elected from the same list, or, if for any reason, this is not sufficient, from the lists that have obtained the second highest number of votes, starting from the list under previous letter b), and continuing with the following lists based on the number of votes obtained, in decreasing order, provided that compliance with all applicable all applicable regulations or other provisions in force in terms of gender balance is ensured. If this procedure does not produce the aforementioned results, the Shareholders' Meeting shall carry out the election in accordance with the majority required by law, upon submission of the candidacies of subjects who meet the set out requirements, in such a manner as to ensure compliance, in all cases, with all applicable regulations or other provisions in force in terms of gender balance.*

*If two or more lists obtain an equal number of votes, the Shareholders' Meeting shall resort to a ballot with a resolution based on a relative majority, while ensuring compliance with all applicable regulations or other provisions in force in terms of gender balance.*

*If only one list is submitted, the afore described procedure shall not be implemented and the Shareholders' Meeting shall resolve on the basis of the majorities required by law, with all Directors being elected from this one list, according to their consecutive order and until the number previously set out by the Shareholders' Meeting is reached, without prejudice to the minimum number of Directors meeting the independence requirements as set forth in these Articles of Association and pursuant to art. 148, paragraph 3 of Legislative Decree no. 58/1998, while also ensuring compliance with all applicable regulations or other provisions in force in terms of gender balance.*

*In the absence of lists and if through the vote mechanism per list, the number of elected candidates is lower than the minimum number set forth in these Articles of Association, the Board of Directors is respectively appointed or supplemented through a Shareholders' Meeting resolution based on the majorities required by law.*

*Also pursuant to the provisions of the previous paragraph, the Shareholders' Meeting must ensure the appointment of Directors who meet the independence requirements under article 148, paragraph 3, of Legislative Decree No. 58/1998, reaching at least the minimum total number set forth in these Articles of Association and in compliance with all applicable regulations or other provisions in force in terms of gender balance.*

*Other and additional provisions provided for by binding legal or statutory rules however remain valid.*

#### **Art. 11 Replacement of the Directors**

*If during a financial year, one or more Directors leave the Board, the Board shall replace them through a resolution to be approved by the Board of Statutory Auditors', in compliance with all applicable provisions of law and regulations in force in terms of gender balance, and in compliance with the following:*

*a) the Board of Directors shall replace the exiting Director from the candidates of the same list to which he/she belonged, and the Shareholders' Meeting shall resolve on such replacement on the basis of the majorities required by law, in compliance with the same criterion;*

*b) if there are no other non-elected candidates from this list or no other candidates meet the set out requirements, or even if for any reason it is not possible to comply with the provisions of letter a), the Board of Directors, and subsequently the Shareholders' Meeting, shall replace the exiting Director based on the majorities required by law without voting on the lists.*

*In all events, the Board of Directors and the Shareholders' Meeting must ensure the appointment of a number of Directors who meet the independence requirements under article 148, paragraph 3, of Legislative Decree No. 58/1998, equal at least to the minimum total number set forth in these Articles of Association and in compliance with all applicable regulations or other provisions in force in terms of gender balance.*

*The Directors thus appointed shall remain in office until the next Shareholders' Meeting and those elected by the Shareholders' Meeting shall remain in office for the same term as the exited Directors whom they are replacing.*

*If for any reason, the Directors appointed by the Shareholders' Meeting do not reach a majority, the entire Board of Directors is dissolved, effective as at the next recomposition of the Board. In this case, the Shareholders' Meeting must be urgently convened, for the appointment of the new Board, by the Directors still in office.*

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As an issuer belonging to the STAR segment, the Company must comply with the provisions of art. 2.2.3, paragraph 3, letter l) of the Stock Exchange Regulations which set forth, for the composition of the Board and for the roles and functions of non-executive and independent Board members, the application of the principles and criteria pursuant to articles 2 and 3 of the Code of Self-Regulation for companies.

As shown in Table 2 at the end of this Report, 5 Directors, out of a total of 9 members of the Board, meet the independence requirements set forth in TUF and in the Code of Self-Regulation. For further details in terms of the Directors independence requirement, please see paragraph 4.6 of this Report.

The Company is not subject to further regulations in terms of the composition of the Board of



Directors.

### **Succession plan**

As at the date of this Report, the Company has resolved not to adopt a succession plan for the executive Director, also in consideration of the fact that the professional expertise provided by the Board and by the management of the Company, enables the Company to ensure the continuity of its operations and management.

### **4.2. COMPOSITION (pursuant to art. 123-bis, paragraph 2, letter d) of the TUF)**

The Board of Directors of the Company, in compliance with the rules stated in Principle 2.P.1 of the Code, is composed of executive directors and non-executive directors, who meet all requirements of professionalism, competence and experience necessary to carry out their mandate. It should also be noted that the current composition of the Board of Directors is in line with the current applicable legislation in terms of gender balance.

More specifically, the Company is managed by a Board of Directors composed of 9 members.

On 30 April 2015, the Shareholders' Meeting appointed the current Board of Directors of the Company for the periods 2015-2016-2017 and, more precisely, until the date of the Shareholders' Meeting that will be convened for the approval of the Financial Statements as at 31 December 2017.

The composition of the Board of Directors is shown in Table 2, at the end of this Report.

Following is some personal and professional information about the members of the Board of Directors.

**Enrico Salza (Chairman)** – Engineer with an Honours Degree in Management Engineering from “Politecnico di Torino”, enrolled in the Register of Auditors since 21 April 1995. He has been conferred the honorary titles of Knight of the Grand Cross, Knight of Sovereign Military Order of Malta and Knight of the Order of Merit for Labour. He is the Chairman of Tecno Holding, Tecnoinvestimenti and Intesa Sanpaolo Highline S.r.l., Director of ABI, Associazione Bancaria Italiana, member of the Council and Steering Committee of Assonime (association of Italian corporations), Director of the Cini Foundation of Venice and of numerous other institutions and associations.

From 1984 to 1995, he served as Vice Chairman for Istituto Bancario San Paolo. From July 1996 to February 2004, he served as Director of Compagnia di San Paolo. From 29 April 2004 to 31 December 2006, he held the office of Chairman of Gruppo San Paolo IMI S.p.A. From January 2007 to April 2010, he held the office of Chairman of the Management Board of Intesa Sanpaolo S.p.A. From 20 April 2012 to 30 June 2015, he held the office of Chairman of Banca Fideuram (Gruppo Intesa Sanpaolo). He served as Director of the multinational Swedish Match of Stockholm; Director of UBS Italia; Director of the company of economic studies Nomisma S.p.A.; Vice Chairman and Managing Director of Il Sole 24 Ore, Mondo Economico and Il Sole 24 Ore System. He also served as Chairman of the Chambers of Commerce of Turin, National Deputy-Chairman of the Chamber of Commerce and member of the Confindustria Commission.

**Pier Andrea Chevallard (Managing Director)** – He obtained a Degree in Political Science from

“Università degli Studi di Torino”. From 1993 to April 2017, he was Director of Promos Internazionalizzazione e Marketing Territoriale/Azienda Speciale CCIAA of Milan. He held the position of General Secretary of the Chamber of Commerce of Milan from November 2001 to December 2014. From 2007 to 2017, he was Managing Director of PARCAM S.r.l., and from 2010 to April 2017, he was a member of the Board of Directors of Fiera Milano S.p.A. He currently holds the office of General Manager and Managing Director of Tecnoinvestimenti and Managing Director of Tecno Holding.

**Laura Benedetto (Director)** – [She earned a Degree in Economics and Business from “Università degli Studi di Ancona” in 1988, and she is a Certified Public Accountant and Certified Financial Auditor. Since 5 May 2011, she has held the office of Secretary General of the Chamber of Commerce of Florence].

**Elisa Corgi (Director)** – [Graduated with a Degree in Business Economics from “Università Commerciale Luigi Bocconi” in 1996. She has gained considerable expertise as brand manager in the marketing department of Barilla Alimentare and Kraft Foods, where she was responsible for the definition and management of marketing plans of best-selling products for both companies. Subsequently, she worked for over 10 years in the financial analysis of listed companies in the consumer sector (Parmalat, Autogrill, Campari, Diasorin, Recordati, Amplifon, Indesit Company, De’Longhi, Saeco) with primary responsibilities, and in the luxury sector (Luxottica, Tod’s, Brunello Cucinelli, Ferragamo, Bvlgari) with secondary responsibilities as senior sell-side analyst at Intermonte SIM, primary operator in the Italian market, of which she was a partner. In this role, she was in charge of long-predictive models and assessment of the basic values of listed companies; definition of the investment case and formulation of arguments for the recommendation of investments to sales and institutional customers; organisation of and participation in roadshows to facilitate the connection between the top management of the listed companies, subject to hedging, and domestic, UK and USA investment fund managers. She has recently collaborated with a digital start-up in the fashion sector and has launched and participated in the due diligence process in an M&A operation within the luxury sector. She is the Managing Director of Corneliani S.p.A. and an independent Director for the companies Tecnoinvestimenti and BasicNet S.p.A.].

**Gian Paolo Coscia (Director)** – [After graduating from the Technical Institute “Vinci” of Alessandria, he gained extensive entrepreneurial expertise in the agriculture sector, holding since 2004 the position of Chairman of Ce.SA., a company providing Confagricoltura Alessandria services, and since 2007, the position of Chairman of the insurance company “Verde Sicuro Alessandria S.r.l.”. In the 90s, he was a member of the Board of Directors of So. Coop. Coop. Produttori Mais of Alessandria; since 2004, he has been a member of the Commission of the Chamber of Commerce of Alessandria; since 2009, a member of the Board of Directors of Finbieticola Casei Gerola S.r.l.; from 2010 to 2014, Director of Alexala, Agenzia di Accoglienza e Promozione Turistica Locale for the province of Alessandria; until 2013, Director of Cadir Lab S.r.l. and, lastly, he has also held positions in charter organisations in the agri-food sector. He has held several positions at the Chamber of Commerce of Alessandria, starting in 2004, where he was appointed Chairman on 10 October 2013. Since 2011, he

has held the position of Chairman of Confagricoltura Piemonte.

**Giada Grandi (Director)** – [With a Law Degree from Università degli Studi di Bologna in 1986, she also earned a specialisation degree in administrative law, administration science and tax law. She was certified to exercise the profession of lawyer in 1990 and was appointed Deputy Director at the Council of Ministers (Cabinet) Regional Administrative Court of Emilia Romagna. She also received the title of Knight of the Order of Merit for Labour on 27 December 1996. Currently, besides holding an office on several Boards of Directors, she is a Board Director for the Guglielmo Marconi Bologna S.p.A. airport; Deputy-Chairman of Bologna Fiere S.p.A. and since 2010, she has been General Secretary of the Chamber of Commerce of Bologna.

**Ivanhoe Lo Bello (Director)** – [Graduate in Law from the University of Catania, lawyer and long-standing entrepreneur, he has held the position of Chairman of Lo Bello Fosfovit S.r.l., Chairman of the Chamber of Commerce CCIAA of Siracusa and Chairman of the Italian Union of Chambers of Commerce (Unioncamere), the public entity that joins and institutionally represents the Italian Chambers of Commerce system. He has also held the position of Chairman of Unicredit Leasing S.p.A., partner and/or Director of other industrial companies and Chairman of Confindustria].

**Aldo Pia (Director)** – [With a Degree in Pharmacy, he is registered in the Roll of Pharmacists and he has been Chairman of the Register of Pharmacists of Asti since 2002. He has accrued many years of experience in the financial and banking sector. He has been Chairman of Cassa di Risparmio di Asti S.p.A. since 2004 and Chairman of Cassa di Risparmio di Biella e Vercelli S.p.A. since 2012. He has been holding, inter alia, the offices of Deputy Chairman for Cedacri (since 2015), Director of ABI Associazione Bancaria Italia (since October 2010), Chairman of RE Valuta (since 2010) and member of the Bank Committee within ACRI (since 2006)].

**Alessandro Potestà (Director)** – [With a Degree in Economics and Business from the University of Turin, he has accrued multiannual expertise as a financial analyst, while assuming responsibilities for extraordinary and restructuring operations for leading groups in Italy and abroad. In 2011, he has established his own investment and strategic consulting company, Quid Capital. From 2012 to 2014, he was senior advisor at DVR Capital of Milan, in charge of strategic consulting (search for partnerships for development and corporate restructuring and reorganisation). Since 2015, he has been senior portfolio manager for the alternative investment fund Italian Growth Fund, reserved for small and medium-sized Italian listed companies].

#### **Maximum number of offices held in other companies**

In compliance with the application criterion 1.C.3) 8. of the Code, it should be noted that as at the date of the approval of this Report, the Board has not expressed an opinion, with general effectiveness, on the maximum number of Director and Auditor offices that the Directors of the Company can simultaneously hold in other listed companies, financial companies, banks, insurance companies or other companies of a relevant size, considering it mostly appropriate to assess, on a case-by-case

basis, the cumulation of the positions held. Following an assessment carried out recently on the offices currently held by the Directors in other companies, the Board - in view, inter alia, of the limited number and of the nature of the other offices held, as well as in consideration of the constant and active participation by the Directors in the meetings of the Board – has concluded that the number and quality of such roles does not interfere, and is therefore compatible, with the effective performance of the Director activities within the Company.

[With regard to the breakdown of the Board in office as at 31 December 2017, the Issuer did not deem it appropriate to adopt diversity policies with respect to aspects such as age, gender breakdown and training and professional background, since: (i) with regard to gender diversity, the Issuer already applies the provisions under art. 147-quater of the TUF and (ii) during the course of the assessment on the functioning of the Board, conducted on 1 March 2018, no critical elements emerged in terms of the professional characteristics and gender of its members.

### **INDUCTION PROGRAMME**

The information provided during the Board's meetings enables the Directors to obtain an adequate knowledge of the business sector in which the company operates, the corporate dynamics and their development, as well as the related regulatory and self-regulation frameworks of reference. Furthermore, the Chairman and the Managing Director encourage meetings between the Directors and the managers of the various company's departments for the opportunity of obtaining further information and clarifications on the Group's activities and projects, as well as on the regulatory and self-regulatory reference frameworks. An induction plan for 2018 is also envisaged, which will be applied during the 2018 financial year, taking into account the renewal of the corporate bodies.

### **4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, paragraph 2, letter d) of the TUF**

In compliance with the provisions set forth in Principles 1.P.1 and 1.P.2. of the Code, the Company is governed by a Board of Directors which plays a central role within its corporate governance system, in particular in organising, directing and managing the company in order to achieve the corporate purpose, maximise the value for the Shareholders in the medium-long term and ensure compliance with the expectations of the other stakeholders.

Pursuant to article 13 of the Articles of Associations, the Board of Directors meets at the registered office of the Company or at other designated sites every time the Chairman or someone acting in his place deems it necessary, normally on a quarterly basis, or upon a written request by at least one third of the Board's members.

The Board of Directors may also be convened by the Board of Statutory Auditors upon a notice sent to its Chairman, or by each Auditor, individually.

The Board of Directors may be also convened, upon a notice sent to its Chairman, by at least two standing Auditors.

The convening notice may be sent also by electronic means that ensure a prompt receipt, at least three days before the meeting, to each Director and standing Auditor; in the event of an urgent matter, it can be sent by telegram or fax at least one day earlier. The meeting may be held by tele- or video-conference. In this case,

- the following must be ensured: a) the identification of all participants from each site of the connection; b) the opportunity for each of the participants to intervene, to verbally express their opinion, to review, receive and transmit all the documentation, as well as a simultaneous review and resolution issuance process;
- the meetings of the Board of Directors are considered to be held at the place where the Chairman and the Secretary are simultaneously located.

The resolutions are transcribed into the appropriate journal; the minutes must be signed by the Chairman and the Secretary of the meeting.

The Directors must promptly report, at least on a quarterly basis, to the Board of Statutory Auditors about the meetings of the Board of Directors and of the Steering Committee, i.e. directly by written communication, with a description of the activities performed and of the most important economic, financial and investment transactions carried out by the company and/or its subsidiaries, and especially of those transactions for which the Directors hold a stake – personally or on behalf of third parties – or which are influenced by the person in charge of management and coordination activities.

In all cases, the delegated bodies, at least on a quarterly basis, must report to the Board of Statutory Auditors about the general company's performance and the expected development, as well as on the main transactions, in terms of importance or characteristics, carried out by the company or its subsidiaries.

Pursuant to art. 16 of the Articles of Association, the Board of Directors is empowered with the broadest authority for the ordinary and extraordinary management of the company. Consequently, it may adopt all measures considered necessary and appropriate to achieve the company's objectives, except those that the law expressly reserves for the Shareholders' Meeting.

The Board of Directors has authority over the issuing of bonds that are non-convertible into, or bonds with no-warrant that enable the subscription of, newly issued shares of the company, in compliance with the law's terms and conditions. The Board of Directors is entitled, without prejudice to art. 2436 of the Civil Code, to resolve on the following:

- merger in the cases listed under articles 2505 and 2505-bis of the Italian Civil Code and de-merger in the cases in which said rules are applicable;
- reduction of the share capital in the case one or more Shareholders withdraw;
- adaptation of the articles of association to legislative provisions;
- indication of which directors represent the company;

- establishment or closing of branches;
- the transfer of the registered office to another municipality in the national territory.

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During the year, the Board of Directors met 14 times overall, with an average duration of approximately 1.5 hours each time. The average attendance of the Directors at these meetings was about 92%.

During the meetings of the Board of Directors, the executives of the Company and or of the Group, participated and offered their opinions if the agenda items required them to do so.

Under the terms set forth in the Stock Exchange Regulations, the annual calendar of the corporate events for the year has been communicated to Borsa Italiana S.p.A. and published on its Internet site. The calendar includes the dates scheduled for the meetings to be held for the approval of the results of the year and of the period. For the current period, 6 meetings are scheduled for the Board of Directors for the approval of the accounting figures of the period, two of which have already been held on 31 January 2018, for the approval of the preliminary results, and on 14 March 2018, for the approval of the separate and consolidated financial statements.

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The Board is empowered with the broadest authority as regards the ordinary and extraordinary management of the Company for the achievement of the company's purpose. More specifically, in applying the Application Criterion 1.C.1. of the Code, the Board of Directors:

- (1) reviews and approves the strategic business and financial plans of the Company and of the Group that it heads, while monitoring, on a regular basis, their implementation, and it defines the corporate governance system of the Company and the structure of the Group;
- (2) defines the nature and the risk level compatible with the strategic objectives of the Company, including in its assessments all the risks that may acquire relevance in terms of the sustainability, in the medium-long term, of the Company's activities;
- (3) evaluates the adequacy of the organisational, administrative and accounting structures of the Company and subsidiaries with strategic relevance, with a particular focus on the internal control and risk management system;
- (4) confers and revokes delegations granted to the Directors, establishing the limits and manner of exercising such powers and the frequency, normally not exceeding a quarter, with which the appointed bodies must report to the Board of Directors on the activities performed in relation to the powers conferred;
- (5) after assessing the recommendations of the Remuneration Committee and after consulting with the Board of Statutory Auditors, it shall determine the remuneration of Directors with delegated powers, and of those holding special offices, also pursuant to art. 2389, 3rd paragraph, of the

Civil Code;

- (6) assesses the general company performance and the results achieved against the forecast;
- (7) reviews and approves in advance any transaction of strategic, economic and financial significance, carried out by the Company and the subsidiaries;
- (8) expresses, at least once a year, its assessment on the size, composition and operations of the Board itself and of its Committees, taking also into account elements such as professional experience, expertise, also in management, as well as the gender and seniority of its members. Taking into account the outcome of the above assessments, it provides the Shareholders, before the appointment of a new Board, with guidelines on the managerial and professional profiles of the members who ought to be appointed to the Board;
- (9) provides information, in the Corporate Governance Report, on the methods of application of the criteria set forth in the Code concerning the role, operations and composition of the Board;
- (10) reports to the Board of Statutory Auditors, at least on a quarterly basis, on the activities carried out and on the most significant transactions.

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The Chairman ensures that the Board is provided, according to the appropriate methods and time frames, with the documentation and information necessary to allow the latter to express, with knowledge, its opinion on the items submitted for its review and approval.

The Chairman and the Chief Executive Officer assure that the time necessary to consider the items of the Agenda is adequate, encouraging during the meetings a constructive debate and the intervention of Board Members in the discussion.

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In compliance with the Application Criterion 1.C.1., letter c) of the Code, the Board of Directors, at the meeting of 14 March 2018, in reference to the year in question, has expressed a positive assessment (i) on the adequacy of the organisational, administrative and general accounting structure of the Company and of the main subsidiaries, as set up by the Managing Director, with particular focus on the internal control and risk management system, as well as (ii) on the general performance of operations, in view of the information received from the delegated bodies and based on a periodical comparison between achieved and expected results.

For the above mentioned purpose, the Board of Directors has received and reviewed (a) the information and/or the documentation provided by the Manager responsible for preparing the company's financial reports as regards the testing of control procedures in place aimed at guaranteeing the correctness, completeness and validity of the information entered into the financial statements and (b) the reports on the state of the internal control and risk management system prepared by the Control and Risk Committee, as emerged from the assessments conducted by the internal audit function of the Group. The Board has based its assessments on the internal control and

risk management system on this information and has taken into consideration also the improvement plans implemented, and the residual risk to which the Group is exposed. The Board of Directors of Tecnoinvestimenti has carried out for the year 2017, the last of its mandate 2015-2017, the self-assessment of its own and its internal committees. The self-assessment process was conducted, for the first time, with the professional assistance of a specialised consultancy Company, in accordance with the recommendation of Art. 1. C. 1., Lett. g) and, in reference to the being in its last year of mandate, also in view of the provisions of the next letter. h) of the Self-regulatory Code of Borsa Italiana for listed companies. The assignment was conferred upon the independent Company Crisci & Partners -Shareholders and Board Consulting srl (Crisci & Partners), a Company that offers professional services only to Shareholders and Boards of Directors of companies. The relations of Crisci & Partners with Tecnoinvestimenti have been and are inherent in projects of a remuneration survey and consequent recommendations of Governance and the facilitation of self-assessment of the Board of Directors, relating to the financial year 2017. The self-assessment of the Board of Directors and its internal committees has been set up and conducted on the basis of individual interviews, supported by a trace, with the Chairman of the Board, the Chief Executive Officer, all the Board Members and the Chairman of the Board of Statutory Auditors, as a particularly qualified observer. Each interview lasted on average approximately ninety minutes. To support the interview of the Members of the Board, a document was structured in two theme area: a quantitative area, organized in structured questions to be assessed quantitatively and a qualitative one, and organized in topics and questions open and aimed at orienting colloquially and further developing the interview.

Topics and questions addressed in the interviews were focused on different areas related to the composition and functioning of the Board and the Committees. The main aspects, the subject of evaluation, concerned the adequacy of the following profiles:

- operation of the Board as a whole, examining the profile of the frequency (of meetings), the subjects covered, the conduct of the meetings, the quality Of the Board discussion, the interaction within the Board of Directors and the strategic and monitoring role it has exercised;
- qualitative and quantitative composition of the Board: professionalism, in terms of knowledge, experience and competences, recognition of such regarding the Board as a whole and regarding individual members; relations of trust, collaboration and interaction between the Members;
- frequency and quality of induction meetings; Presence of succession plans of the executive's top positions;
- Roles exercised by the Chairman of the Board and Chief Executive Officer;
- Composition and functioning of the internal Committees; Information flows between the internal committees and the Board.

As the 2017 was the third year of mandate for the Board of the Company, the Board Members were also requested to evaluate the relevant skills of the Board and suggestions to support further elaboration of the guidance to Shareholders on professionalism and managerial figures, whose



presence is deemed appropriate for the next Board. The Board of Directors positively assessed its functioning, the significant commitment and contribution in 2017, which, as mentioned, is the last in its mandate.

The Board may avail itself of a comprehensive information kit: the subjects and themes placed on the agenda are presented with a level of detail, clarity and transparency deemed to be very good and such as to make possible an informed and participated discussion.

The volume of the documentation, which reflects the complexity of the material and even more than the operations, often extraordinary, is important and delivered in time for the analyses, albeit sometimes with tight times in relation to its complexity.

The analysis and the necessary insights can be facilitated – where necessary – with the use of well-structured executive summaries. The time dedicated to the study of the subjects was considered adequate and all the topics adequately covered. The Members, also thanks to the stimulus and attention of the Chairman, expressed their opinions: the formation of the decisions takes place with the contribution made by the not ample debate, but which improved in time and adequacy. Board Members tend to focus on the critical or particularly relevant points of the subjects under consideration.

The Board expresses consolidated knowledge of the activities of Tecnoinvestimenti and of the markets in which it operates, national up to today, and confirms the approval of the business model according to which the Company is evolving. The plans pursued are adequately clear and coherent with the development strategy, also by external lines, of the Company. Chairman and Chief Executive Officer have a constant interlocution on strategic topics and are committed to give the Board full vision of plans, activities and achievements. Participation in Board meetings of presenters by other Managers of the Company is habitual and generally appreciated. The size of the Board, 9 members, and the balance between the Chairman, 2 non-executive directors, 5 non-executive and independent advisors and the managing Director, are considered appropriate, as are as gender diversity and the diversity of experience on this Board. The composition of the Board is articulated regarding several types of professionalism and experience: managerial, entrepreneurial, professional, institutional. It is also articulated in terms of background of service and non-service companies, institutions, financial and financial market companies, industry, work and human resources, legal and administrative, fiscal, analysis and evaluation of economic scenarios and extraordinary operations. It possesses an adequate set of competences for the evaluation and management of enterprise risk and knowledge of the business, in relation to the equilibrium and the partially consolidated board experience.

The Board of Directors has set up a Remuneration Committee and an Internal Control and Risk Management Committee, which also functions as the Committee for Related Party Transactions. They are appropriately composed by a majority of independent Directors and the chairmen are elect from among the independent members.

The Remuneration Committee is appropriate for professional experience of the members and gender

diversity and clarity and completeness of the mandate assigned. The Board evaluates as good the opinions provided on the issues of competence.

The Internal Control and Risk Committee is greatly appreciated regarding all the profiles objective of the self-evaluation. The members are received to be very attentive and very well prepared and it is believed that the Committee has always expressed itself with competence in relation to numerous acquisition operations realized.

The Board feels protected by the activity carried out by the Committee, in which the Chairman of the Board of Statutory Auditors participates as observer. The self-assessment process has constituted an important moment of evaluation-which as a whole results positive – regarding the operation and composition of the Board, of the work carried out and of the further experience gained by the members of the Corporate Bodies of Tecnoinvestimenti.

It allowed the Members to retrace their professional experiences and involvement in the Board, in 2017, and to recognize, perceive and confirm, also by the consultants of Crisci & Partners, the level of effectiveness achieved by the Corporate Governance of Tecnoinvestimenti, of the overall compliance with the indications of the Italian Stock Exchange's Code for Listed Companies and the alignment with the best practices of other listed companies, as far as they are comparable. The self-assessment has revealed practices, deserving to be preserved and developed in the future, as well as practices for which there are new opportunities and/or need for improvement, that the Board is considered fully committed to discussing and achieving their implementation.

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It must be noted that the Shareholders' Meeting has not authorised derogations with regard to the non-competition clause pursuant to art. 2390 of the Italian Civil Code.

#### **4.4.DELEGATED BODIES**

##### **Managing Director**

The Board of Directors, in its meeting of 6 May 2015, conferred on the Managing Director, Mr Pier Andrea Paolo Edoardo Chevallard, the following responsibilities, of which he is invested with single signature authority and representation of the Company:

1. ensure that the organisational, administrative and accounting structure of the Company is adequate to the nature and size of the company; report to the Board of Directors and to the Board of Statutory Auditors, at least on a quarterly basis, on the general performance and outlook of the Company as well as on the most significant transactions, in terms of size or characteristics, carried out by the Company;
2. ensure that the activities included in the pursuit of the Company's objectives are being carried out;
3. define the organisational and functional chart of the Company;

4. manage the human resources of the Company, reporting on them directly to the Board of Directors;
5. plan the funding needs of the company and, in the interest of the Group, acquire and manage the resources necessary to cover said funding needs, as stemming from the business plan and budget approved by the Board of Directors;
6. identify opportunities for investments and disinvestments, while preparing all appropriate information reports to submit to the Chairman of the Board of Directors so that he can propose a reasoned approval to be issued by the Board of Directors;
7. organise and chair the financial information flow of the Company and of the Group and establish relationships with the Shareholders, except for external relationships which remain the responsibility of the Chairman of the Board of Directors;
8. maintain relationships with Nomad and Borsa Italiana, as well as with any other competent authorities, as necessary;

It has also resolved on the following:

- to grant to the Managing Director, in general – with single signature authority and representation of the Company – the powers to carry out any operations, of ordinary or extraordinary administration, deemed in his prudent judgement to be necessary and appropriate for the achievement of the corporate objectives, with the right to confer mandates for individual or categories of transactions, except for those transactions that cannot be delegated by law and in compliance with the Articles of Association, those under the responsibility of the Chairman of the Board of Directors, as well as those that the Board intends to carry out on its own:

(i) purchase, sale, exchange and contribution of properties;

(ii) execution of loan agreements and granting of guarantees, except for those that are respectively executed, granted or assumed with, or in the interest of, investee companies, up to a maximum amount of EUR 2 million; and assumption of financial debts outside of the normal management cycle;

(iii) approval of the annual budget and multi-year planning;

(iv) hiring, appointment and firing of executives and decisions on their remuneration.

- to grant to the Managing Director, in general, – with single signature authority and representation of the company – the power to oversee the financial administrative management of the Company and therefore, including but not limited to, and always with single signature:

1. to perform any type of banking transactions; open and close current bank accounts in the name of the company with banks, credit institutions, postal and telegraphic offices and other offices and entities; deposit in these accounts any amount pertaining to the company; carry out transactions such as writing cheques and ordering bank transfers or payments in general, including overdrawn payments and arrange for the transfer of funds among the current accounts of the Company, all of the above with no maximum limits;

2. to sign payment orders concerning investments of liquid funds, as long as they are guaranteed by a primary bank or similar entity;
  3. to propose to the Chairman, for its inclusion in the agenda, the appointment of executives, proposing their remunerations, as well as, when it is the case, the revocation thereof;
  4. to hire employees, except for executives, as well as to approve any supplementary agreements and personnel bonuses, except for what falls under the power granted to the Chairman.
- to grant to the Managing Director – with single signature authority and representation of the Company – the power to manage the company's shareholdings;
  - and finally, including but not limited to and also with single signature authority, to participate, also through a proxy granted to a third party, in the Shareholders' Meetings of companies in which the Company has invested or may invest in the future; to vote on the agenda items, with the right to decide, inter alia, on changes to the Articles of Association, ongoing into liquidation or on the withdrawal of Shareholders, and with the right to accept the position of Director should he be appointed by the Company.

The Board of Directors, on 30 January 2015, as confirmed on 6 May 2015, conferred the following powers to Mr Chevallard, with single signature, as General Manager:

- coordinate, manage, develop and control independently or reporting directly to the Board of Directors, the subsidiaries, by interacting directly with their functions;
- define the information flows from the subsidiaries to the parent company;
- propose to the Board of Directors the strategic plans for the development of the investee companies; interact with the main functions thereof; define and chair and assess the actual implementation of the action plans;
- chair the formulation of the business plan and the budgets of the Group interacting with the subsidiaries, and submitting them, at least on a quarterly basis for the former, and on an annual basis for the latter, for the approval of the Board of Directors;
- seek out opportunities of synergies and cross selling among the companies of the Group;
- propose to the Board of Directors, through its Chairman, additions, mergers and demergers, as well as extraordinary transactions within the subsidiaries.

The appointment of the members of the Boards of Directors and of the Boards of Statutory Auditors of the subsidiaries, whether controlled or not, of consortiums and entities, is under the responsibility of the Chairman of the Board of Directors, after consulting with the Managing Director.

Participation in the Shareholders' Meetings of the investee and controlled subsidiaries is excluded from the area of competence of the General Manager.

With particular reference to the company shareholdings, including but not limited to, and always with single signature, he is entitled to:

- ensure the coordination, development and control of the subsidiaries;
- finalise, after consulting with the Chairman, the purchase and sale of equity investments in companies and entities for an amount not exceeding EUR 1 million.

#### **Chairman of the Board of Directors**

The Company's Board of Directors, on 6 May 2015, conferred to its Chairman, Mr Enrico Salza, without prejudice to his powers of representation of the Company within the limits set forth in the Articles of Associations, the following powers, which were duly confirmed, as well as the authority to delegate single transactions or categories of transactions:

- (i) to chair the meetings of the Board of Directors, coordinating its works;
- (ii) to decide on the agenda of the meetings of the Board of Directors, taking also into account the proposals for resolutions formulated by the Managing Director, and ensuring that all necessary information on the agenda item are provided to all Directors;
- (iii) to adopt, in agreement with the Managing Director, any urgent measures in the interest of the Company, reporting on said measures to the Board of Directors at the next meeting;
- (iv) to appoint, after consulting with the Managing Director, representatives of subsidiaries, consortiums and entities;
- (v) to carry out the external activities of the Company, also availing himself of external collaborators and consultants, conferring, to this end, specific assignments;
- (vi) to open bank accounts and manage them within the limits of the granted facilities.

The Chairman, Mr Salza, is also empowered with the task of identifying, by maintaining a constant dialogue and cooperation with the Managing Director, opportunities and risks of the entire business that represents the purpose of the company, while keeping the Board of Directors informed so as to enable it to make the most reasoned decisions.

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#### **Information flow to the Boards**

In compliance with the provisions of Application Criterion 1.C.1. letter d) of the Code, the Directors who hold the operating powers shall report, at the first meeting and on a regular basis and, in all cases, at least quarterly, to the Board of Directors and to the Board of Statutory Auditors about the activities carried out, as well as on the most significant business transactions; in particular, they must report on any transactions implying potential conflicts of interest.

#### **4.5. OTHER EXECUTIVE DIRECTORS**

In the Board of Directors, there are no other directors that are considered executive by virtue of the offices they hold in the Company or in other Group companies.

#### 4.6. INDEPENDENT DIRECTORS

Pursuant to the combined provisions of articles 147-ter, paragraphs 4 and 148, paragraph 3 of the TUF and in accordance with that prescribed by art. 2.2.3, paragraph 3, letter l) of the Stock Market Regulations and with art. IA.2.10.6 of the Instructions for Stock Market Regulations for companies with shares listed on the STAR segment of the MTA, as well as in compliance with art. 3 of the Code, on the date of this Report, there were 5 Independent directors sitting on the Board of Directors, namely Laura Benedetto, Elisa Corghi, Gian Paolo Coscia, Giada Grandi and Ivanhoe Lo Bello. Said Independent directors:

i) do not directly or indirectly control the Issuer, including through subsidiary companies, trust companies or third parties, nor are they able to exercise any significant influence;

ii) are not directly or indirectly party to any shareholders' agreement through which one or more parties may exercise control or a significant influence over the Issuer;

iii) are not, or have not been, in the past three years, key representatives (meaning the Chairman, the legal representative, the Chairman of the Board, an Executive director or a Key Manager) of the Company, of a strategically important subsidiary of the same, of a company under joint control with the Issuer, or of a company or entity which, also jointly with others, through a shareholders' agreement, controls the Issuer or is able to exercise a significant influence over the same;

iv) do not directly or indirectly (for example through subsidiaries or of which they are a key representative, in the sense indicated in point (iii) above, or as a partner of a professional studio or of a consulting company) entertain, or have not entertained in the previous year, significant commercial, financial or professional relations, or are not party to or have not been party to in the past 3 years employment relationships: (a) with the Issuer, with a subsidiary of the same, or with any of the key representatives, in the sense indicated in point (iii) above, of the same; (b) with a party which, also jointly with others through a shareholders' agreement, controls the Issuer, or - in the case of companies or entities - with the key representatives, in the sense indicated in point (iii) above, of the same;

v) without prejudice to what is indicated in point (iv) above, are not party to self-employment or employment relationships, or other equity-based or professional relations that may compromise independence:

(a) with the Issuer, with its subsidiaries or with companies subject to joint control; (b) with the Directors of the Issuer; (c) with persons to whom they are related as a spouse, relative or equivalent up to the fourth degree of kin of Directors of the companies set forth in point (a) above;

vi) do not receive, or have not received in the past 3 years, a significant additional remuneration with respect to the "fixed" compensation as Non-executive director of the Company, from the Issuer or from a subsidiary or parent company, including therein participation in incentive plans linked to company performance, also based on shares;

- vii) have not been Directors of the Issuer for more than 9 years over the past 12 years;
- viii) are not Executive directors of another company in which an Executive director of the Issuer holds the office of Director;
- ix) are not Shareholders or Directors of a company or of an entity belonging to the network of companies engaged to legally audit the accounts of the Issuer;
- x) are not close family relatives of a person who is in one of the situations set forth in the points above, and in any event are not the spouse, relative or equivalent up to the fourth degree of kin of the Directors of the Issuer, of companies controlled by the same, of companies that control the same and of those subject to joint control.

The Board assesses the existence and the permanence of the above requirements, on the basis of the information that the interested parties are bound to provide under their own responsibility, or of information that in any event is available to the Board.

The Board of Directors' meeting held on 1 March 2018, verified the independence of its Directors in accordance with and pursuant to art. 148, paragraph 3, of the TUF (as referred to by art. 147-ter, paragraph 4 of the TUF) and by art. 3 of the Code of Self-Regulation, verifying the presence of an adequate number of Non-executive independent directors with a view to fulfilling the recommendations of the Code of Self-Regulation and of art. IA.2.10.6 of the Instructions for the Regulation of the Stock Market. More specifically, Directors Laura Benedetto, Giada Grandi, Ivanhoe Lo Bello, Elisa Corghi and Gian Paolo Coscia were deemed to fulfil the above-mentioned requirements of independence. For the sake of completeness, note that Laura Benedetto, Giada Grandi, Ivanhoe Lo Bello and Gian Paolo Coscia hold key positions in Chambers of Commerce that participate in the share capital of the subsidiary Tecno Holding.

At its meeting held on 6 February 2018, the Board of Statutory Auditors, in compliance with art. 3.C.5 of the Code of Self-Regulation, verified, within the scope of tasks assigned to the same by law, the correct application of the criteria and the procedures adopted by the Board of Directors to assess the independence of its Directors, agreeing with the conclusions of the Board of Directors.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

In light of what is indicated in the paragraphs above, the conditions envisaged by art. 2.C.3 of the Code of Self-Regulation for the appointment of a Lead Independent Director have not been fulfilled.

#### **5. TREATMENT OF CORPORATE INFORMATION**

As envisaged by Application Criterion 1.C.1. letter j) of the Code, the Board of Directors' meeting held on 17 May 2016, subsequently amended, approved the Procedure to disclose Privileged Information to the public ("the **Privileged Information Procedure**").

The Privileged Information Procedure establishes the principles and rules which Tecnoinvestimenti and the companies controlled by the same comply with for the internal management and external

communication of information of an insider nature, and governs the provisions and procedures for internal management and external disclosure of Privileged Information, Significant Information and Confidential Information regarding the Issuer and companies controlled by it (jointly with the Company, the "Group), regulating, inter alia: (i) the identification of Privileged Information; (ii) the manner in which the procedure to delay the communication of privileged information to the public is activated; (iii) the manner in which Privileged Information is disclosed and communicated to the market; and (iv) the rules of conduct to be observed by parties and organisational structures of the company that are involved under any title in the treatment of Privileged Information and of confidential information. Lastly, it should be noted that the Privileged Information Procedure, in compliance with the applicable regulation, regulates the conduct of the Company in the event that news and the communication of Privileged Information is leaked at Shareholders' meetings and meetings with the press and with financial analysts. The Procedure envisages the "List of Persons with access to Privileged Information" (the "Insider List") and the "List of persons with access to Significant Information" (referred to as the "RIL") or which however, under any title, have access to Privileged Information or Significant Information (and/or Confidential Information) regarding the Issuer and the relative Group. The Insider List and the RIL are governed by the procedure entitled "Procedure for managing the Lists of persons with Privileged Information and Significant Information" adopted by the Company. The Procedure for management of the Lists of persons with access to Privileged Information and Significant Information envisages provisions aimed at ensuring observance of the provisions of applicable laws and regulations and guaranteeing maximum discretion and confidentiality with regard to significant and Privileged Information. More specifically, the Procedure for management of the Lists illustrates the provisions observed by Tecnoinvestimenti in the management of the Lists of persons with access to Privileged Information (the "**Lists**"), regulating in particular: (i) the identification of the parties responsible for holding the aforementioned Lists; (ii) the criteria to identify the persons to be entered on the Lists; (iii) the procedures and functioning of the Lists; (iv) the content of the entry; (v) updating of the Lists.

At the meeting held on 31 January 2018, the Board of Directors also resolved to approve, to replace the previous procedure in force, the "Procedure for compliance with obligations regarding Internal Dealing conduct" (the "**Internal Dealing Procedure**"), regarding the management of disclosure obligations originating from the internal dealing regulation set forth in art. 114, paragraph 7 of the TUF, and in articles 152-sexies, 152-septies and 152-octies of the Issuers' Regulation.

The Internal Dealing Procedure also regulates obligations for disclosure to the public of transactions performed on shares, debt instruments, derivatives and financial instruments related to shares and debt instruments issued by the Company by Persons Discharging Managerial Responsibilities (as defined herein), the total amount of which reaches EUR 20,000.00 in the space of one calendar year (the "**Significant Transactions**"); after this amount has been reached all the transactions performed shall be considered Significant Transactions.

In accordance with the Internal Dealing Procedure, the following individuals are required to disclose



the aforementioned transactions: i) whomever holds a stake, calculated pursuant to article 118 of Regulation no. 11971 of 1999, equal to at least 10% of the Company's share capital, represented by shares with voting right, as well as any other party that controls the Company, ii) Directors, iii) Statutory Auditors and other executives, identified by the Board of Directors who, although not members of the aforementioned bodies, have regular access to Privileged Information relating directly or indirectly to the Company and possess the power to make managerial decisions affecting the future development and business prospects of the Company (jointly the "**Persons Discharging Managerial Responsibilities**").

Equally, persons closely associated with Persons Discharging Managerial Responsibilities are required to disclose said transactions, meaning:

- a) a spouse, or a partner considered to be equivalent to a spouse in accordance with Italian law, dependent children, in accordance with Italian law, relatives who have lived under the same roof for at least one year on the date of the transactions subject to disclosure under the Internal Dealing Procedure;
- b) with regard to the Persons Discharging Managerial Responsibilities pursuant to letter i) of the previous paragraph, even a spouse not legally separated, dependent children, including those of the spouse and, if sharing the same household for at least one year, the parents, relatives and similar of the Persons Discharging Managerial Responsibilities;
- c) legal entities, partnerships and trusts, when their managerial responsibilities are discharged by a Person Discharging Managerial Responsibilities or by a person closely associated with them belonging to the categories referred to in letter a) above, or directly or indirectly controlled by such a person, or set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.
- d) trusts established to benefit a Person Discharging Managerial Responsibilities or one of the persons indicated in letter b) above.

The Internal Dealing Procedure envisages that Persons Discharging Managerial Responsibilities, as well as persons strictly associated to the same, may not perform - on their own behalf, or on behalf of third parties - transactions regarding the above-cited financial instruments issued by the Company in the 30 calendar days preceding the announcement of the annual financial report, the interim financial report, as well as interim reports on operations (so-called blocking period).

It is understood that period of 30 calendar days before the announcement shall commence from the date of the meeting of the Board of Directors established to approve the accounting data according to the Company's financial calendar, or however established, and the blocking period shall only end after disclosure to the public of the press release relating to approval of the aforesaid accounting data. The Company, in accordance with the terms and the procedures indicated in the Internal Dealing Procedure, may allow Persons Discharging Managerial Responsibilities and those strictly associated to the same to perform transactions regarding financial instruments issued by the Company, on their

own behalf or on behalf of third parties, directly or indirectly, during the blocking period, in the following cases (a) based on a case-by-case assessment, in the event of exceptional circumstances, such as serious financial difficulty that impose the immediate sale of the shares or (b) due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change, all of which as described in the Internal Dealing Procedure. The Internal Dealing Procedure envisages that the disclosure of the transactions to the public take place in accordance with the procedures and the timing envisaged by legal and regulatory provisions in force.

A copy of the above-mentioned documents is available on the website in the [governance/policies and procedures] section.

## **6. BOARD COMMITTEES (pursuant to art. 123-bis, paragraph 2, letter d) of the TUF)**

In order to render its corporate governance model compliant with the recommendations contained in art. 6 Principle 6.P.3 and in art. 7, Principle 7.P.3, letter (a) sub (ii) of the Code of Self-Regulation, the Board of Directors of the Issuer, at the meeting held on 17 May 2016, also resolved to establish:

- (i) a remuneration committee (the “**Remuneration Committee**”); and
- (ii) an internal control and risk management committee (the “**Control and Risk Committee**”), the latter also part of the committee for related party transactions (“**Committee for Related Party Transactions**”).

The aforementioned committees are comprised by three non-executive directors, the majority of which are independent, and a chairman chosen from the independent directors, and will provide proposals and advice, respectively, regarding remunerations, internal control and risk management.

The term of office of the members of the Remuneration Committee and of the Control and Risk Committee shall be the same as that of the Board of Directors.

In carrying out their duties, the aforementioned committees shall be able to access the company information and the company departments needed, and shall utilise the Company media and structures for the performance of the related activities. The Issuer will make adequate financial resources available to the committees for the performance of their duties, within the limits of the budget approved by the Board of Directors.

## **7. APPOINTMENTS COMMITTEE**

Given the organisational structure of the Issuer and the ownership structures of the same, the Board of Directors - at the present time - does not retain it necessary to establish a Committee to appoint Directors pursuant to art. 5 of the Code of Self-Regulation, as the functions of the aforementioned committee can be performed by the Board of Directors itself.

## **8. REMUNERATION COMMITTEE**

The Board of Directors' meeting held on 17 May 2016 resolved to establish a remuneration committee,

appointing the Independent director Gian Paolo Coscia (Chairman), the Independent director Laura Benedetto and the Non-executive director Aldo Pia as members of the Remuneration Committee, effective from the start date of trading of the ordinary shares of the Company on the MTA.

**Composition and functioning of the Remuneration Committee (pursuant to art. paragraph 2, letter d) of the TUF)**

The Remuneration Committee provides proposals and advice, and whose main task is to submit proposals to the Board of Directors for the definition of the remuneration policy for Directors and key managers.

The Remuneration Committee is given tasks as set out by art. 6 of the Code of Self-Regulation, and in particular:

- a) submits proposals to the Board of Directors for the adoption of remuneration policies for directors and key managers;
- b) periodically assesses the adequacy, overall consistency and actual application of the remuneration policy for Directors and for key managers, relying in that last regard on information provided by the Managing directors; provides the Board of Directors with proposals on the matter;
- c) presents proposals or expresses opinions to the Board of Directors on the remuneration of executive Directors and other Directors filling particular roles as well as on the establishment of performance objectives relating to the variable component of such remuneration; monitors the application of decisions adopted by the Board, verifying, in particular, that performance objectives are achieved.

In accordance with article 4, application criterion 4.C.1, letter (e), of the Code of Self-Regulation, in carrying out its functions, the Remuneration Committee has the option of accessing information and the company departments necessary for carrying out its tasks, as well as of availing itself of external consultants within the terms established by the Board of Directors.

No Director takes part in the meetings of the Remuneration Committee, during which proposals for the Board of Directors relating to their remuneration are made.

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In accordance with the provisions of the Code, no director shall attend Committee meetings in which proposals to the Board of Directors concerning their own remuneration are formulated.

With specific reference to stock options and other share-based incentive systems, the Committee submits its recommendations to the Board of Directors regarding the use of the same and all relevant technical aspects related to their formulation and application; in particular, the Committee submits proposals to the Board regarding the incentive system considered the most suitable and monitors the progress and the application of the plans approved by the Shareholders' Meeting pursuant to article 114-bis of the TUF over time.

The Remuneration Committee's role is to submit proposals, while the power to establish the remuneration of directors that hold specific offices is, in any event, held by the Board of Directors, in accordance with article 2389, paragraph three of the Italian civil code.

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In accordance with Application Criteria 4.C.1. letter d) of the Code, the minutes of the meetings of the same are transcribed in a specific register held by the Chairman and signed by the person chairing the meeting and by the secretary, appointed on each occasion, also from parties external to the Committee.

In carrying out its functions, during the year, the Remuneration Committee was able to access the information and company departments necessary to carry out its duties as well as, where necessary, to rely on external consultants at the Company's expense and to access adequate financial resources to perform its duties within the terms established by the Board.

Parties that are not committee members may be invited to attend Committee meetings, including the Chairman of the Board of Statutory Auditors and other members of the Board or of a Company department, on the invitation of the Committee itself, with reference to individual items on the agenda.

## **9. REMUNERATION OF DIRECTORS**

### **General remuneration policy**

The Ordinary Shareholders' Meeting of the Company, at the meeting held on 19 April 2015, resolved to establish the compensation for each member of the Board of Directors, both executive and non-executive as EUR 15,000 for each year, per year, plus the reimbursement of the expenses incurred due to their office.

The remuneration of non-executive directors is not significantly linked to the financial results achieved by the Company.

There are no share-based incentive plans for non-executive directors.

The remuneration of non-executive directors is calculated on the basis of the practices applied in companies that have similar characteristics to the Issuer.

Information on the remuneration of directors, of the general manager and of key managers is contained in the remuneration report drawn up pursuant to articles 123-ter of the TUF and 84-quater of the Issuers Regulations, and disclosed to the public on the Company's website, in the Governance/Shareholders' meeting section, as well as through the other methods envisaged by the applicable legislation.

Also note that, in accordance with the provisions of the afore-mentioned art. 123-ter, paragraph 6, of the TUF, the Ordinary Shareholders' Meeting, which is convened to approve the draft financial

statements relating to 2017, will be called upon to decide in favour of or against the first section of the Remuneration Report, envisaged by paragraph 3 of the aforementioned article 123-ter, approved by the Board of Directors, on the proposal of the Remuneration Committee, which illustrates the policy with regard to the remuneration of members of management bodies, of the general manager and of key managers for 2018, as well as the procedures used for the adoption and implementation of this policy.

With regard to the remuneration of directors of Tecnoinvestimenti for the year 2017, see the Second Section of the Remuneration Report, available on the Company's website, in the Governance/Shareholders' meeting section.

The incentive mechanisms for the Head of the Internal Audit function and for the manager responsible for drawing up the corporate accounting documents are consistent with the duties assigned to the same.

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**Compensation of directors in the event of resignation, dismissal or termination of the relationship following a take-over bid (pursuant to art. 123-bis, paragraph 1, letter i) of the TUF)**

The Policy does not envisage the payment of any compensation in favour of directors and Key Managers (other than the Managing Director and General Manager) in the event of early termination of the office and/or working relationships or its non-renewal. For the Managing Director and General Manager, in the event of early termination by the Company without just cause and/or revocation and/or non-renewal and/or if the Managing Director or General Manager has to resign from both relationships at the request of the Company, the Managing Director or General Manager will be paid an amount, as an incentive to leave, equal to three years' worth of overall emoluments received as General Manager.

**10. CONTROL AND RISK COMMITTEE**

The Board of Directors meeting on 17 May 2016 resolved to establish an internal control and risk management committee (the "**Control and Risk Committee**"), the latter also part of the committee for related party transactions ("**Committee for Related Party Transactions**"), appointing the Independent director Giada Grandi (Chairman), the Independent director Elisa Corghi and the Non-executive director Alessandro Potestà as members of said Committee, all of whom have experience in accounting and finance areas and/or in risk management retained adequate by the Board of Directors at the time of their appointment. The Committee was established at the same time as the admission of ordinary shares to trading on the MTA organised and managed by Borsa Italiana S.p.A. on 30 August 2016.

The Committee has performed all of the duties assigned to it by the Board of Directors; its main duty is to assess the adequacy and effectiveness of the functioning of the Company and of the group internal control system, the management of company risk and subsequent reporting to the Board of Directors.

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The Committee meets whenever the Chairman deems it necessary or a written request is received from another member, and in any event at least twice a year and always before board meetings convened to approve the draft financial statements and the interim report.

The Chairman of the Board of Statutory Auditors attends meetings of the Control and Risk Committee, and may designate another Standing Auditor to attend in his/her place; in any event, the other Standing Auditors may also attend in order to ensure that the activities of the Committee are properly coordinated with those of the Board of Statutory Auditors, also in the light of Application Criteria 8.C.5. of the Code, which envisages that the two bodies exchange information in a timely manner, which is relevant to the performance of their respective duties. The Head of the Internal Audit function also attends said meetings, also as secretary to the same.

The Chairman of the Control and Risk Committee may invite the Chairman of the Board of Directors, the director entrusted with the internal control and risk management system, managers of the external auditors appointed on each occasion, and/or, with regard to individual items on the agenda, also other persons, including other directors or representatives of company departments or third parties to attend Committee meetings, but without voting rights, whose presence may contribute to the smooth functioning of the Control and Risk Committee.

#### **Functions assigned to the Control and Risk Committee**

In accordance with the provisions of Application Criteria 7.C.2. of the Code, the Control and Risk Committee, to assist the Board of Directors, also provides proposals and advice as follows:

- (1) assessing, along with the Manager responsible for drawing up the corporate accounting documents and after consulting with the independent auditors and the Board of Statutory Auditors, the proper use of accounting standards and their consistency for the purpose of preparing the consolidated financial statements;
- (2) providing opinions on specific aspects concerning the identification of the main company risks;
- (3) examining periodic reports concerning the assessment of the internal control and risk management system, and those of particular relevance prepared by the internal audit function;
- (4) monitoring the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
- (5) asking the internal audit function to carry out audits on specific operating areas, also informing the Chairman of the Board of Statutory Auditors;
- (6) reporting to the Board of Directors, at least every six months, at the time of the approval of the annual and interim financial reports, on the activities carried out and on the adequacy of the internal control and risk management system;

(7) supporting, following adequate preliminary investigation, the assessments and the decision of the Board of Directors relating to the management of risks resulting from prejudicial matters that the Board of Directors has become aware of.

In addition, the Control and Risk Committee carries out further duties assigned to the same by the Board of Directors regarding transactions in which directors or statutory auditors have a vested interest, on their own behalf or on behalf of third parties, and transactions with related parties, in accordance with the terms and the procedures indicated in the Procedure for related party transactions approved by the Company's Board of Directors on 17 May 2016.

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In 2017, the Control and Risk Committee met 11 times, with an average duration of around 1 hour and 30 minutes per meeting. The average attendance of directors in meetings was 100.0%.

During the Year, the Committee assessed the adequacy and the effectiveness of the functioning of the internal control and risk management system, subsequently reporting to the next possible Board of Directors' meeting.

During the Year, the Committee and the Board of Statutory Auditors received detailed information from the Head of the Group Internal Audit function, who, in addition to periodically reporting the main results of internal audit activities, promptly reported to the above-mentioned bodies on company risks and relative plans for improvement. Moreover, in relation to the issues covered, the Committee received information during the year from the Managing Director, also as part of the role of Director in charge of the Internal Control and Risk Management System, from the Officer Responsible for Accounting and Financial Reporting Documents and from other Executives of the company.

In the current year 2018 and up until the date of this Report, the Control and Risk Committee has already met 3 times: on 18 January, 1 March and [14 March].

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In accordance with Application Criteria 4.C.1. letter d) of the Code, the minutes of the meetings of the same are transcribed in a specific register held by the Chairman and signed by the person chairing the meeting and by the secretary.

In carrying out its functions, the Committee was able to access the information and company departments necessary to carry out its duties and did not retain it necessary to utilise the financial budget made available to the same, insofar as the support of the company's internal departments was able to guarantee the effectiveness required to fulfil its duties.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The internal control and risk management system is the set of rules, procedures and organisational structures of the Company and Group aimed at enabling the identification, measurement, management and monitoring of the key risks, whose adequacy is supervised by the Group's internal

audit department manager. The internal control and risk management system also meets the need to guarantee the protection of the company's assets, the efficiency and effectiveness of the company's operations, the reliability of the financial information, compliance with the laws and regulations, as well as with the articles of association and internal procedures, to preserve healthy and efficient management, and to identify, prevent and manage financial and operations risks and fraud to the detriment of the Company.

In conformity with what is established by Application Criterion 7.C.1. of the Code, the Board of Directors, subject to the opinion of the Control and Risk Committee:

- a) defines the guidelines of the internal control and risk management system in such a way that the main risks pertaining to the Company and its subsidiaries are properly identified and adequately measured, managed and monitored while at the same time also determining the degree of compatibility of these risks with company management that is consistent with the strategic objectives identified;
- b) assesses the adequacy of the internal control and risk management system with respect to the company's characteristics and risk profile assumed, and its effectiveness, at least once a year;
- c) approves the work plan prepared by the internal audit department manager after it is approved by the Board of Statutory Auditors and the director in charge of the internal control and risk management system at least once a year;
- d) describes the main characteristics of the internal control and risk management system and the methods for coordinating the parties involved with an assessment of its adequacy in the corporate governance report;
- e) after discussions with the Board of Statutory Auditors, assesses the results presented by the statutory auditor in the letter of suggestions and in the report on basic issues that emerged during the statutory audit;
- f) appoints and revokes the manager of the internal audit department upon proposal of the Director in Charge of the internal control and risk management system and subject to the approval of the Control and Risk Committee, as well as that of the Board of Statutory Auditors; it ensures that it has enough resources for carrying out their responsibilities and defines their remuneration in line with company policies.

Furthermore, as part of definition of the strategic, industrial and financial plants, the Board of Directors has defined the nature and the risk level compatible with the strategic objectives of the Issuer, including in its assessments all the risks that may acquire relevance in terms of the sustainability of the Issuer's activities in the medium to long term.

The Board of Directors carries out its internal control and risk management tasks while adequately



taking into account the models of reference and national and international best practices, with particular attention paid to effective implementation of the Model pursuant to Italian Legislative Decree no. 231/2001 adopted by the Board with the resolution of 1 March 2013.

## **Main characteristics of the existing risk management and internal control systems in connection with the financial reporting process pursuant to Art. 123-bis, paragraph 2, letter b), TUF**

### *Foreword*

The objective of the Tecnoinvestimenti Group's financial disclosure internal control system is to provide reasonable certainty on the reliability of the financial reporting and on the ability of the process of drawing up the financial statements to produce the financial reporting in compliance with the generally accepted international accounting principles. The above accounting and administrative control model is the set of internal procedures and tools adopted so that the objectives of reliability, accuracy, reliability and promptness of financial reporting can be achieved. The model of reference for executing, managing and assessing the Internal Control System ("ICS") that Tecnoinvestimenti Group has adopted is the model called "Co.S.O. Report", supplemented with: i) legislative and regulatory references on the subject of internal control; ii) expedient adaptations aimed at making it consistent with the Group's situation.

During 2017, the Company following the prescriptions of Italian Law 262/05 aimed at documenting the accounting and administrative control model adopted, as well as at implementing specific checks on the controls that emerged to support the certification process of the Manager Responsible for drawing up the corporate accounting documents. To this regard, please note that the Company has prepared a special Methodological Manual, approved by the Board of Directors and circulated to all Group companies having significance according to Italian Law 262/05, in which the guidelines for implementing, updating and monitoring the model are outlined and explained.

### *Description of the main characteristics of the risk management and internal control system existing in connection with the financial reporting process*

#### *a. Phases of the risk management and internal control system existing in connection with the financial reporting process*

The main phases of the system implemented by the Company in connection with the financial reporting process can be traced back to the following macro categories of activities.

- Identification of the scope of the companies and of the significant administrative and accounting processes

This activity first requires definition of the Group companies and of the processes of the single companies, with regard to which an in-depth study of the risks and administrative and

accounting control is carried out, adopting both quantitative parameters (defined on the basis of the significant weight that the figures to consider have on the main financial sheet items) and qualitative elements. The activity of defining the significant scope is usually carried out at the beginning of each year, after approval of the financial statements of the previous year and issuance of the certifications required by law by the Manager Responsible.

- Analysis of the processes, risks and administrative and accounting controls.

The analysis of the control system connected with financial reporting is carried out both at the entity level (i.e. on a corporate basis) and at the process level (up to the details of the single transaction) with the aim to effectively mitigate the pertinent risks found within the administrative and accounting system. The approach adopted takes into consideration the possible risks of incorrect representation of the company events in the financial reporting, both unintentional and fraudulent, envisaging the design and monitoring of controls able to ensure the hedging of said risks. In particular, the administrative and accounting processes include the risks connected with non-achievement of the control objectives aimed at ensuring truthful and correct financial reporting or at minimising the probabilities and impact of their appearance. These objectives are connected with observance of the financial assertions, which the international standards of reference define as the requirements that every accounting/reporting account of the financial statements must ensure in order to meet the legal obligations (typically: existence and occurrence, completeness, rights and obligations, valuation and recording, presentation and reporting) and other elements that characterise the internal control environment of the organisation (such as, for example, observance of the authorisation limits, segregation of duty, documents and traceability of the transactions). The analysis of the risks connected with financial reporting envisages periodic updating in order to identify the main changes that have taken place in the structure of the administrative and accounting processes following the natural evolution of the business and organisation.

- Definition of the administrative and accounting control system

Based on the results of the risk recognition and assessment activity of the financial reporting process at the “pertinent” level (i.e. regardless of the existence of controls when they appear), the Company defines the structure and method of executing the administrative and accounting controls deemed adequate for guaranteeing reduction of the risk of non-observance of one or more financial assertions associated with them to an acceptable level while taking into due consideration the presence of control activities that can be considered redundant or compensatory. The approach adopted considers both the manual controls and those relating to the reporting systems supporting the administrative and accounting processes, i.e. the so-called automatic controls at the level of application systems and the IT general controls monitoring areas concerning access to the systems, control of the developments and modifications of the systems and, in general, adequacy of the computer structures.

- Checking the administrative and accounting controls

The controls are periodically monitored in order to verify their actual application over time, during the period of reference, and the actual effectiveness in order to ensure that the needs for hedging risks defined by the internal control system and relevant control system are adequate. The assessment of the effectiveness of the administrative and accounting controls is carried out by running specific sample tests to ascertain the proper execution of the controls required by the company departments, as well as implementation of the corrective measures established. This monitoring and testing of the financial reporting control system is conducted through an independent compliance activity by the Group Internal Audit department. The results of the monitoring activity are the subject of a periodic flow of information (every six months) on the status of the financial reporting control system as concerns the design, structure and functioning of the system by the Internal Audit manager directly to the Manager Responsible, as well as to top management, the Control and Risk Committee and the Board of Statutory Auditors for the assessments for which they are responsible.

*b. Roles and departments involved*

The Manager Responsible coordinates with the Company's departments, with the subsidiary companies falling within the scope of consolidation and with the corporate governance bodies, in order to provide and receive information on the execution of activities that have an impact on the economic or financial situation of the Tecnoinvestimenti Group.

All company departments belonging to the Group companies (included within the scope of consolidation) and the governance bodies, such as the Board of Directors, the Board of Statutory Auditors, the Control and Risk Committee, the Supervisory Body, the independent auditing firm, the institutional bodies that communicate with the outside and Internal Audit, are responsible for interacting with the Manager Responsible in order to inform, and if necessary report, on events that might bring about significant changes in the processes if they have an impact on the adequacy and material functioning of the existing administrative and accounting procedures. The Administration Managers of each of these companies have been identified as responsible for guaranteeing adequate implementation and maintenance of the internal control system in the respective organisations on behalf of the Manager Responsible. To this regard, the administrative-financial governance model of the Tecnoinvestimenti Group includes a system of internal certifications that requires that the Managing Directors/General Managers and Administration Managers of the single Group companies issue a specific certification on the reliability and accuracy of the systems and processes for financial reporting used to prepare the Group consolidated financial statements supporting the half-yearly and annual certifications made by the Tecnoinvestimenti Manager Responsible and the Managing Director (pursuant to paragraph 5 of Art. 154-bis of the TUF).

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After taking into account the information provided by the Control and Risk Committee and by the

Director in Charge of the internal control and risk management system, as well as the work of the Group internal audit department Manager, the Board of Directors meeting held on 14 March 2018 was able to state a positive assessment on the adequacy, effectiveness and actual operation of the internal control and risk management system for 2017. The Board based its judgement on the internal control and risk management system on these findings and also considered the improvement plans implemented and the residual risks to which the Group is exposed.

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

The Board of Directors meeting of 17 May 2016 resolved to appoint Pier Andrea Chevillard as Director in Charge of the internal control and risk management system pursuant to Art. 7, principle 7.P.3 (a)(i) of the Code of Self-Regulation, and assigned him the powers necessary so that he may:

- (i) identify the main company risks while taking into account the characteristics of the activities that the Company and its subsidiaries carry out in order to submit them to the review of the Board of Directors periodically;
- (ii) enforce the guidelines defined by the Board of Directors while overseeing the design, execution and management of the internal control and risk management system and constantly checking that it is adequate and effective;
- (iii) see to adapting this system to the changes in operational conditions and the legislative and regulatory situation;
- (iv) ask the internal audit department to check specific areas of operations and observance of the internal rules and procedures in executing company operations, and at the same time report on them to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and to the Chairman of the Board of Statutory Auditors;
- (v) promptly report critical issues emerging from execution of the task or that become known to the Control and Risk Committee (or to the Board of Directors) so that the Committee (or Board) can take the appropriate measures.

#### **11.2. MANAGER OF THE INTERNAL AUDIT DEPARTMENT**

On 31 August 2016 the Board of Directors of the Company confirmed Gianluca Rosboch as Manager of the internal audit department, with effect from the Date of Listing. The internal audit department functionally reports to the Control and Risk Committee, to the Director in Charge and to the Board of Statutory Auditors in order to guarantee independence.

The internal audit department carries out an independent and objective assurance and consultancy activity aimed at providing an independent assessment on the governance, risk management and control processes of the Company by adopting a systematic and professional approach. The internal audit department also coordinates with and supports the other players of the internal control and risk management system supervising compliance and risk management with the objective of facilitating

observance of the rules of law and monitoring the company's level of exposure and vulnerability to risks.

In particular and in addition to what is stated above, the Manager of the internal audit department, pursuant to Art. 7.C.5 of the Code of Self-Regulation:

- a) checks the effectiveness and compliance of the internal control and risk management system using an audit system approved by the board of directors that is based on a structured process of analysis and prioritisation of the main risks both continuously and in connection with the specific needs and in observance of the international standards;
- b) is not responsible for any area of operations and hierarchically reports to the Board of Directors;
- c) has direct access to all information helpful in performing the task;
- d) prepares periodic reports containing enough information on his activity, on the methods with which the risk management is conducted and on observance of the plans defined to reduce them. The periodic reports contain an assessment of the suitability of the internal control and risk management system;
- e) prepares reports on particularly significant events in a timely manner;
- f) sends the reports described under points d) and e) to the chairmen of the board of statutory auditors, the control and risk committee and the board of directors, and to the director in charge of the internal control and risk management system;
- g) checks reliability of the computer systems, including the accounting systems, as part of the audit plan.

During 2017 and up to the date of this Report the Manager of the internal audit department:

- conducted the audits defined in the approved 2017 plan and reported on the results of the activities carried out;
- carried out specific interventions (special tasks) on the basis of requests and instructions formulated by Group management;
- carried out activities related to Italian Law 262/2005, checking the companies (and their processes) quantitatively and qualitatively significant in terms of compliance, through testing, the operational effectiveness of the controls monitoring administrative-accounting risks and monitoring the progress of implementation of improvement measures;
- assisted the SB, also of other Tecnoinvestimenti Group companies, in performing specific audits, in the periodic verifications and in the analysis of the records from SB flows of information;
- assisted the personnel of Tecnoinvestimenti and of the other Group companies in formalising new procedures or updates of existing procedures based on the results of specific audits carried out

on Tecnoinvestimenti or at Group level;

- assisted and supported the operating and compliance departments of the Group companies in managing the ISO quality system;
- formulated his own periodic assessment of the suitability of the internal control and risk management system.

The results of each internal audit intervention were submitted in the form of internal audit reports sent concomitantly to the Chairman of the Board of Directors, the CEO (also to later be sent to the structures subject to auditing), the Control and Risk Committee and the Board of Statutory Auditors of Tecnoinvestimenti.

The internal audit reports were also sent, for the competence aspects, to the Supervisory Body of Tecnoinvestimenti and, for the internal audit interventions pertaining to the subsidiaries, to their control and regulatory bodies (Boards of Directors, Boards of Statutory Auditors and Supervisory Bodies).

The internal audit reports present the concise assessment of the internal control and risk management system control protocols referring to the areas and processes checked, a description of the findings and limitations found, and the recommendations that emerged, for which the managers of the activities and areas audited draw up a plan of corrective actions whose implementation is monitored by the internal audit department.

The Manager of the internal audit department draws up (i) half-yearly reports containing sufficient information on his activity, on the methods with which risk management is conducted and on observance of the plans defined to reduce them, as well as the assessment of the suitability of the internal control and risk management system and (ii) specific reports in the case of particularly significant events.

On 14 March 2018, the Manager of the internal audit department issued his annual report (referring to the period from 1 January to 31 December 2017, with an update to the date of its issue) and, with reference to the results of the audit activities carried out, stated that no significant situations or critical issues that would indicate the internal control and risk management system of the Tecnoinvestimenti Group as a whole to be inadequate emerged.

### **11.3. ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001**

By resolution of the Board of Directors of 1 March 2013, the Company adopted an Organisational Model pursuant to the requirements envisaged by Legislative Decree no. 231/2001 (hereinafter, also "Model"), aimed at avoiding administrative liability in criminal proceedings of the Company for certain types of crimes committed by its directors, managers, employees or collaborators in the interest or to the advantage of the Company itself. The Company's Code of Ethics, which is an integral part of the Model, was adopted through the same resolution.

On 7 August 2017, the Board of Directors updated the Organisational Model and Code of Ethics in

order to take into account changes in the reference regulatory framework, organisational changes of the Issuer, legal orientations and the experience gained during the initial years of application of the Model.

The Model, also developed in accordance with the guidelines provided by trade associations on this subject, is another key element of the Company's internal control system and is composed of:

- a general Section containing, among other things, specific information on the qualifying contents of Legislative Decree. 231/2001 and subsequent additions, objectives and structure of the Model, requirements, functions and powers of the Supervisory Body, information flows to the same, and disciplinary and sanctioning measures connected to violations of the provisions of the Model;
- a special Section, comprising a series of specific protocols in relation to the different types of relevant crimes among those envisaged by Legislative Decree no. 231/2001, which for Tecnoinvestimenti have been identified as the following: crimes in relations with Public Administration and corruption between private individuals; corporate crimes; transnational crimes; organised crime; violations of accident prevention and occupational health and safety regulations; receiving, laundering and use of money, goods or utilities of unlawful origin as well as self-laundering; computer crimes; employment of illegal third-country nationals and illegal intermediation and labour exploitation; market abuse.

On 1 March 2013, the Company appointed the Supervisory Body. The Supervisory Body currently in office was appointed with a Board of Directors resolution on 28 May 2015, and is made up of three experts selected by the Board of Directors of the Company from parties inside and outside the company, all having adequate qualifications and professional competence: Riccardo Ranalli (Chairman of the Board of Statutory Auditors), Ugo Lecis and Laura Benedetto, who possess autonomous powers of initiative and control as provided for in art. 6 of Legislative Decree 231/2001.

Even the Group's subsidiaries have adopted and, over the years, updated their own Organisational Model pursuant to Legislative Decree no. 231/2001 and simultaneously appointed the respective Supervisory Bodies, in order to implement specific control measures based on the different significant risk/crime profiles for each company.

The respective Supervisory Bodies, as per the Supervisory Body of Tecnoinvestimenti, implemented their own action plans to monitor and evaluate the adequacy of the Organisational Models adopted by the individual Companies. The operational checks envisaged by the Group Internal Audit Department were carried out and periodic reports were prepared and sent to the Boards of Directors and Boards of Statutory Auditors on the supervisory activities carried out during the periods in question.

#### **11.4. INDEPENDENT AUDITING FIRM**

Pursuant to articles 14 and 17 of Italian Legislative Decree no. 39/2010, the Shareholders' Meeting of 29 April 2016 gave the Independent Auditing Firm KPMG S.p.A. the task of auditing the statutory financial statements and consolidated financial statements for the three-year period 2016-2024.

## **11.5. MANAGER RESPONSIBLE FOR DRAWING UP THE CORPORATE ACCOUNTING DOCUMENTS AND OTHER COMPANY ROLES AND POSITIONS**

Pursuant to art. 19 of the Articles of Association, the Board of Directors appoints the Manager responsible for drawing up the corporate accounting documents in accordance with Art. 154-bis of Italian Legislative Decree no. 58/1998 subject to the mandatory though non-binding opinion of the Board of Statutory Auditors and with the normal majority established in the Articles of Association, and may set a certain term of office. Said Manager is selected from those managers who have at least three years of experience holding management positions in areas of administrative/accounting and/or financial and/or control activities at the company and/or its subsidiary companies and/or at other joint-stock companies.

The Board of Directors may revoke the office of Manager responsible for drawing up the corporate accounting documents, again subject to the mandatory though non-binding opinion of the Board of Statutory Auditors and with the normal majority established in the Articles of Association, at the same time appointing another person to the same position.

In compliance with the above, the current Board of Directors resolved on 17 May 2016 to appoint Nicola Di Liello, company CFO, to the office of manager responsible for drawing up the corporate accounting documents pursuant to Art. 154-bis of the TUF, after receiving the favourable opinion of the Board of Statutory Auditors.

## **11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Company establishes methods for coordination between the various parties involved in the internal control and risk management system. In addition to the periodic information provided to the Board of Directors, it is the Company's standard procedure that the Group internal audit department manager, the Chairman of the Board of Statutory Auditors or another statutory auditor named by the chairman or together with the other statutory auditors attend the meetings of the Control and Risk Committee, and the executive director responsible for the internal control and risk management system and the Manager Responsible may be called to attend in order to ensure effective coordination of the Committee activity with that carried out by the other bodies and departments.

## **12. INTERESTS OF THE DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES**

For the procedure to approve and execute transactions initiated with related parties or in which a director is a stakeholder on their own account or that of third parties, please refer to paragraph 4.3 herein.

Please note that within the scope of what is established by the CONSOB Regulation containing instructions on transactions with related parties, adopted by CONSOB with Resolution no. 17721 of 12



March 2010 and amended with Resolution no. 17389 of 23 June 2010, the Board of Directors selected the Control and Risk Committee as the body responsible for transactions with related parties, which, pursuant to the Related Parties Procedure approved by the Board of Directors of the Issuer on 17 May 2016, took on the role of Related Parties Committee on 22 June 2016.

The Related Parties Procedure is available on the website in the section [governance/policies and procedures].

### **13. APPOINTMENT OF AUDITORS**

The appointment and replacement of the members of the Board of Statutory Auditors is governed by art. 20 of the Articles of Association published on the website in the section [governance/corporate documents]. More specifically, it is pointed out that the appointment of the Statutory Auditors by the Shareholders' Meeting is based on lists submitted by the Shareholders in order to ensure that the minority interest appoints a statutory Auditor (in the position of chairman) and an alternate auditor.

Art. 20 of the Articles of Association is reproduced in full below.

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#### **Article 20 (composition, appointment and meeting procedures)**

*The Board of Statutory Auditors is made up of 3 (three) statutory auditors and 2 (two) alternate auditors. The minority interest may elect one statutory auditor and one alternate auditor. A balance between the male and female genders must be ensured in the composition of the Board of Statutory Auditors in observance of the applicable legal and statutory provisions currently in force.*

*The auditors, who may be re-elected, are selected from parties who have the requisites, also regarding plurality of offices, established by current legislation, also statutory, including professional competence in conformity with Ministry of Justice Decree no. 162 of 30 March 2000 regarding the provisions of Art. 1, paragraph 2, letters b) and c) of said decree, which are to be considered strictly pertinent to the company's activity: (i) matters pertaining to commercial law; tax law; accounting; business economics; general, international and financial market economics; corporate finance; and (ii) sectors of industry and the publishing trade and pertaining to communications in general.*

*The Board of Statutory Auditors is appointed following the procedures set forth herein, in observance of the applicable legal and statutory provisions currently in force on the subject of balance between genders, on the basis of lists submitted to the Shareholders. Every list, which contains the names of one or more candidates, marked by a progressive number and all together in a number not exceeding the number of members to elect, indicates whether the single candidacy is submitted for the office of statutory auditor or for the office of alternate auditor. The lists containing a total number of candidates equal to or greater than three must be made up of candidates belonging to both genders so that at least one-third (rounded by excess to the higher unit) of the candidates for the office of statutory auditor and at least one-third (rounded by excess to the higher unit) of the candidates for the office of alternate Auditor belong to the gender less represented on the list.*

*Only those Shareholders who alone or together with other submitting Shareholders form a total of Shareholders, as at the date the list is submitted, with voting rights in Shareholders' meeting resolutions concerning the appointment of the board of directors and board of statutory auditors representing a percentage of stake in the share capital made up of said shares, as subscribed on the date the list is submitted, at least equal to the percentage applicable for appointing the Board of Directors as determined or referred to by these Articles of Association, are entitled to submit the lists.*

*The percentage of stake required for submitting lists of candidates is specified in the notice calling the Shareholders' Meeting for appointing the Board of Statutory Auditors.*

*Every candidate may appear on only one list, under penalty of ineligibility.*

*Each Shareholder may neither submit or concur on submitting nor - like every other one entitled to vote - vote more than one list, not even through a third party or trustee. Moreover, the Shareholders that: i) belong to the same group (or, pursuant to Art. 93 of Italian Legislative Decree no. 58/1998, find themselves in a control relationship with each other or are subject to joint control, even when the parent company is a natural person), or ii) take part in a significant shareholders' agreement pursuant to Art. 122 of Italian Legislative Decree no. 58/1998 concerning company shares, or iii) take part in such a shareholders' agreement and be, according to the law, parent companies or be controlled by or be subject to joint control of one of said participating Shareholders, cannot submit or concur with others to submit more than a single list and cannot vote different lists.*

*The agreements and votes expressed in breach of said prohibition shall not be attributed to any list.*

*The lists, complete with the curricula vitae of the candidates containing exhaustive information on the personal and professional characteristics of each one of them with the list of any administration and control positions held in other companies, and signed by the Shareholders that submitted them, or their agent, with indication of the respective identity and percentage of stake altogether held as at the date of submission must be lodged with the registered office by the twenty-fifth day prior to the date set for the Shareholders' Meeting in first or single call together with a statement of the submitting Shareholders, when different from those that hold, also jointly, a control or majority stake in the share capital (the latter as defined above in this article), certifying the absence of relationships of association with the latter as required by the legislation, including statutory, currently in force. The relevant certification(s) or communication(s) certifying the aforesaid stake issued by the intermediary authorised pursuant to the applicable legal or statutory provisions may also be delivered afterwards, as long as it is within twenty-one days before the date set for the Shareholders' meeting in first or single call.*

*At the time of the submission of the list, the candidates must also lodge the declarations with which they accept their candidacy and declare, under their own responsibility:*

- 1) the non-existence of causes for ineligibility for election and incompatibility, as well as the existence of the requisites required based on what is set out in current primary and secondary legislation;*
- 2) the existence of the independence requisites required by Art. 148, paragraph 3 of Italian Legislative Decree*

no. 58/1998.

- 3) *The lists submitted without the forgoing provisions being observed are considered as not submitted.*
- 4) *If, by the twenty-fifth day before the date of the Shareholders' Meeting in first or single call, only one list is submitted, or lists have been presented only by Shareholders associated with each other pursuant to the legal and regulatory regulations currently in force, additional lists can be submitted until the third day after said date and the minimum percentage of stake for submitting lists shown on the notice of call will be considered reduced by half. Also in the case of such a submission, the relevant certification(s) or communication(s) certifying the aforesaid necessary stake issued by the intermediary authorised pursuant to the applicable legal or statutory provisions may also be delivered afterwards as long as it is at least twenty-one days before the date set for the Shareholders' meeting in first or single call.*

*The lists and information provided together with them will be advertised pursuant to the regulations, also regulatory, currently in force.*

*The auditors are elected as follows:*

*a) two statutory members and one alternate member are taken from the list that obtained the highest number of votes at the Shareholders' meeting, based on the progressive order with which they are respectively listed on the list, except for what is provided for hereunder to ensure a balance between genders in observance of the applicable legal and statutory provisions currently in force;*

*b) the remaining statutory auditor, who is entitled to the chairmanship of the Board of Statutory Auditors, and the other alternate member are taken from the second list obtaining the highest number of votes at the Shareholders' Meeting and that is not associated, not even indirectly, pursuant to the legal and statutory regulations currently in force, with those who submitted or voted the list that obtained the highest number of votes as described in letter a) above.*

*For the purpose of appointing the auditors described in letter b) above, if there is parity between lists, the one submitted by Shareholders having the largest stake or, subordinately, the largest number of Shareholders, prevails.*

*In the case of parity of votes between two or more lists that obtained the highest number of votes, the Shareholders' Meeting will go to second ballot with resolution taken with relative majority.*

*If a party associated with a Shareholder that has submitted or voted the list that obtained the highest number of votes has voted for a minority list, the existence of said relationship of association takes on importance only if the vote determined the election of the auditor to take from said minority list.*

*If a single list is submitted, all candidates belonging to that list are elected with the majority vote of the share capital represented at the Shareholders' Meeting.*

*If following the voting by lists or voting of the single list the composition of the Board of Statutory Auditors in its statutory members is not ensured in compliance with the applicable legal and regulatory provisions currently in force on the subject of balance between genders, the statutory member*

*candidate of the most represented gender elected last in progressive order from the list that obtained the highest number of votes or from the single list will be excluded, and will be replaced by the next candidate according to the progressive order with which the candidates are listed, taken from the same list and belonging to the other gender.*

*If no list at all is submitted, the Shareholders' Meeting appoints the Board of Statutory Auditors with majority vote relating to the share capital represented at the Shareholders' Meeting, however so that observance of the applicable legal and statutory provisions currently in force on the subject of balance between genders is ensured.*

*The chairmanship of the Board of Statutory Auditors in these latter cases lies with the head of the only list submitted or with the person appointed by the Shareholders' Meeting if no list has been submitted.*

*If the legal and statutory requirements are not met, the auditor falls from office.*

*If an auditor is replaced, the alternate belonging to the same list as the one who leaves office fills the place, provided that observance of the applicable legal and statutory provisions currently in force on the subject of balance between genders is ensured. Failing that, if the minority auditor leaves office, the candidate listed afterwards in the original order of submission and without taking into account the original statutory or alternate auditor candidacy on the same list to which the one leaving office belonged or, subordinately again, the first candidate of the minority list that received the second highest number of votes fills the place, provided that observance of the applicable legal and statutory provisions currently in force on the subject of balance between genders is ensured.*

*The chairmanship of the Board of Statutory Auditors will still lie with the minority auditor.*

*When the Shareholders' Meeting must appoint statutory and/or alternate auditors necessary to supplement the Board of Statutory Auditors, it follows these steps: if auditors elected from the majority list are to be replaced, the appointment is made with relative majority vote without obligation of a list in observance of the applicable legal and statutory provisions currently in force on the subject of balance between genders; if, on the other hand, auditors from the minority list must be replaced, the Shareholders' Meeting replaces them with relative majority vote, selecting them from the candidates shown on the list on which the auditor to be replaced appeared or, subordinately, on the minority list that obtained the second highest number of votes, in both cases without taking into account the original candidacy to the office of statutory or alternate auditor, again in observance of the applicable legal and statutory provisions currently in force on the subject of balance between genders. In any case, the same documents pertaining to the latter must be submitted by the Shareholders that plan to propose a candidate in advance, as provided for above in the case of submission of lists for the appointment of the entire Board, if necessary by way of updating what was already submitted at that time.*

*If application of these procedures for any reason does not permit replacement of the auditors designated by the minority, the Shareholders' Meeting shall proceed with a relative majority vote in observance of the applicable legal and statutory provisions currently in force on the subject of balance*

*between genders, subject to the submission of candidacies - complete with the same documents provided for above in the case of submission of lists for the appointment of the entire Board - for each candidate by Shareholders that hold - either alone or together with other submitting Shareholders - shares with voting rights at least equal to the percentage of the share capital that would be necessary for submitting the same lists as determined or referred to by these Articles of Association since in any case said submission by Shareholders that hold, also jointly, a control or relative majority stake in the share capital (the latter again as defined above in this article) or that have relationships of association with the latter as provided for by the regulations, also statutory, currently in force is not allowed. In ascertaining the results of this latter vote, the votes of the Shareholders to which submission of candidacies is not allowed will not be calculated. The chairmanship of the Board of Statutory Auditors still lies with the minority statutory auditor as appointed. Should no candidacies be submitted as provided for above, the Shareholders' Meeting resolves with relative majority in observance of the applicable legal and statutory provisions currently in force on the subject of balance between genders.*

*Other and additional provisions provided for by binding legal or statutory rules however remain valid.*

*The possibility to hold the Board of Statutory Auditors meetings via teleconferencing or videoconferencing is allowed.*

*In this case: (i) identification of all participants in each connection point, the possibility for each of them to intervene and orally express their opinions and the concomitance of examination and resolution must be ensured, (ii) the meeting is considered held where the Chairman and, if appointed, the secretary are located.*

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Pursuant to Principle 8.P.1. of the Code, the Auditors will act autonomously and independently, so they will not be "representatives of the majority or minority that appointed or elected them.

The Board of Statutory Auditors supervises compliance with the law and Articles of Association, compliance with the principles of correct administration, adequacy of the organisational structure of the Company, and for those aspects of its competence, the internal control and risk management system and the administrative and accounting system, as well as the latter's reliability in properly representing the operational transactions.

In conformity with what is established by Application Criterion 8.C.4. of the Code, the Board of Statutory Auditors may ask the internal audit department to perform checks of specific areas of operation or company operations.

As part of the tasks the law assigns to it, the Board of Statutory Auditors also checks proper application of the criteria and procedures for ascertaining independence adopted by the Board of Directors to assess the independence of its members; the result of this check is disclosed to the market every year in the corporate governance report or the auditors' report to the Shareholders' meeting.

#### **14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to art. 123-bis, paragraph 2, letter d), of the TUF)**

The current Board of Statutory Auditors, appointed by the Shareholders' Meeting of 30 April 2015 and that will remain in office until the Shareholders' meeting called to approve the financial statements as at 31 December 2017, is made up of the Chairman Riccardo Ranalli and the Statutory Auditors Gianfranco Chinellato and Domenica Serra, and the Alternate Auditors Alberto Sodini and Laura Raselli.

The curricula vitae of the auditors, containing their personal and professional characteristics and, in detail, the offices held in other companies (joint-stock, limited liability and limited partnership with a share capital), particularly in companies listed on regulated Italian markets, as at the date of the Report are published on the website in the section [governance/executive bodies and committees] and annexed to the Report.

During the year, the Board of Statutory Auditors met 13 times, and the meetings lasted an average of 2 hours each. The average attendance of the auditors at the meetings was 95%.

The precise dates of the Board of Statutory Auditors meetings have not yet been set for the current year [as the term of the board is expiring].

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The information on the personal and professional characteristics of the individual members of the Board of Statutory Auditors follows.

**Riccardo Ranalli (Chairman)** – Entered in the Register of Chartered Accountants of Turin on 22 July 1982, and entered in the Register of Auditors since 1995. He has held many institutional and scientific offices, inter alia the office of Director of the Order of Chartered Accountants from 1991 to 1997, and the position of teacher at the Management Training School (SAFM) of the Turin Institute of Technology (Politecnico).

**Gianfranco Chinellato (Statutory Auditor)** – Entered in the Register of Chartered Accountants and Accounting Experts of Rome since 22 December 1978, Statutory Auditor (previously called Certified Auditor) since 1984. Contract professor of Tax Law at the Tuscia (Viterbo) University and at the Tax Police Academy. Member of Advisory Committees of the Order of Chartered Accountants of Rome on the subject of domestic and international taxes. Author of monographs, essays and various articles on taxes.

**Domenica Serra (Statutory Auditor)** – She received her diploma in Accountancy from the "B. Vittone" Technical Commercial School of Chieri, and then obtained the certificate of Collegiate Accountant in 1980 in Turin. Entered under no. 3318 of the Register of Chartered Accountants and Accounting Experts for the districts of Ivrea-Pinerolo-Turin and in the Register of Statutory Auditors under no. 54475 pursuant to Italian Legislative Decree no. 88 of 27 January 1992 of Italian Presidential Decree no. 474 of 20 November, with Italian Ministerial Decree, since 12 April 1995

(Official Journal no. 31 bis of 21 April 1995). Since 1981, she has practised the profession of certified public accountant in the tax and corporate sector, with particular reference to companies. She holds offices of statutory auditor and auditor in various companies operating in a number of sectors (industrial, commercial, real estate and holdings).

**Alberto Sodini (Alternate Auditor)** – He received his degree in Economics and Business from the Sapienza University of Rome in 1995. He is entered in the Register of Chartered Accountants of Rome and in the Register of Statutory Auditors; he is an expert witness of the judge at the Civil Court of Rome. He presently practises his professional activity as owner of Studio Tributario Sodini and is a member of boards of statutory auditors of companies, holding companies and consortium companies. He is the author of several publications in jurisprudence and law journals.

**Laura Raselli (Alternate Auditor)** – She took her degree in Economics and Business from the university Libera Università Internazionale degli Studi Sociali Guido Carli (L.U.I.S.S. Guido Carli) of Rome, and then received certification to practise the professions of Chartered Accountant, Auditor and Labour Consultant. Entered as Chartered Accountant with the Register of Chartered Accountants and Accounting Experts of Rome since 2000 under no. AA 7862. Entered in the Register of Auditors since 1998 pursuant to Italian Ministerial Decree of 25 November 1999, published in the Italian Official Journal no. 100, fourth special series of 17 December 1999 under no. 106957. Entered in the Register of Official Court Experts of the Civil Court of Rome as an expert on company, corporate and tax matters. Registered with the Court of Rome, civil section, as Bailee, in the list of Professionals appointed to sales transactions pursuant to art. 119 ter, implementing provision, Code of Civil Procedure, she carries on corporate and tax consulting activities at her office located in Rome at Piazza Istria no. 2. Chairman and member of numerous Boards of Statutory Auditors of private and public companies. Assistant to the Judge at the Ordinary Court of Rome, Civil Section, she holds several Court Expert and Bailee positions at the Court of Rome.

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As prescribed by Application Criterion 8.C.1. of the Code, in its meetings of 6 April 2017 and 6 March 2018, the Board of Statutory Auditors checked the independence of its members by applying all criteria established for directors by the Code, and confirmed the existence and continuation of said requirements for each one of them.

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With regard to the breakdown of the Board in office as at 31 December 2017, the Issuer did not deem it appropriate to adopt diversity policies with respect to aspects such as age, gender breakdown and training and professional background, since: (i) for the election of the Board, the provisions under art. 148 of the TUF with regard to gender diversity were applied; and (ii) for the election of the Board of Statutory Auditors, the requirements of professionalism envisaged by the applicable legislation, even regulatory, are already required.

The Issuer requires that the auditor who has an interest in a certain transaction of the Issuer on their own account or that of third parties promptly inform the other auditors and the Chairman of the Board of Directors in detail on the nature, terms, origin and scope of their interest (Application Criterion 8.C.3.).

In carrying out its activity, the Board of Statutory Auditors usually coordinates with the internal audit department and with the Control and Risk Committee (Application Criteria 8.C.4. and 8.C.5.) through a constant exchange of information and periodic meetings.

## **15. RELATIONS WITH SHAREHOLDERS**

Lawrence Young Kay is the Investor Relations department manager that follows relations with the majority of Shareholders and with the institutional investors.

The disclosure activity in relations with investors is also ensured by making the most significant company documents promptly and continuously available on the Issuer's website ([www.tecnoinvestimenti.it](http://www.tecnoinvestimenti.it)).

More specifically, all press releases issued to the market, the periodic accounting documents of the Company approved by the competent company bodies (annual financial report; half year financial report; interim management reports), and the documents distributed at meetings with the professional investors, analysts and financial community can be freely consulted by investors on said website.

The Articles of Association, the documents prepared for the Shareholders' Meetings, this Report on the Corporate Governance System and all other documents whose publication on the Issuer's website is required by applicable legislation can also be consulted on the Issuer's website.

## **16. SHAREHOLDERS' MEETINGS (pursuant to art. 123-bis, paragraph 2, letter c), of the TUF)**

Pursuant to art. 7 of the Articles of Association, the Shareholders' Meeting - which can be held in Italy, also outside the registered office - is called with a notice published on the company's website and with all other methods provided for by the applicable legal and statutory provisions currently in force. Both the ordinary and extraordinary Shareholders' Meetings are held in single call. However, the Board of Directors may decide, if it so deems it advisable, that the ordinary Shareholders' Meeting be held in two calls and the extraordinary Shareholders' Meeting in two or three calls, applying the majorities respectively established by the law with reference to each of these cases.

The right to participate and representation at the Shareholders' Meeting are regulated by the applicable legal and statutory provisions. It is clarified that with regard to the second, electronic notification of proxy for participating in the Shareholders' Meeting may be made using the special section of the company's website and/or with a message addressed to the certified electronic mail box, according to what is indicated on the notice of call of the Shareholders' Meeting.

The Board of Directors may appoint, each time for each Shareholders' Meeting, one or more parties to whom those having voting rights may give their proxy pursuant to the applicable legal and statutory provisions currently in force, reporting such in conformity with the same provisions.



Pursuant to art. 8 of the Articles of Association, the Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, should he be absent or hindered, by whoever takes his place; if lack thereof, the Shareholders' Meeting appoints another person.

In observance of the rules of law and of the articles of association, the Chairman of the Shareholders' Meeting is responsible for managing and regulating the progress of the works of the meeting, including determination of the order, voting system and counting of the votes, checking that the Shareholders' meeting is duly formed, verification of the identity and right to participate in the Shareholders' Meeting, the regularity of the proxies and ascertainment of the voting results.

The Chairman is assisted by a secretary appointed by the Shareholders' meeting upon the proposal of the Chairman. In cases required by law or when deemed opportune by the Chairman, the minutes are taken by a notary selected by the Chairman.

The resolutions of the Shareholders' Meeting must consist of minutes signed by the Chairman and the Secretary or the notary.

Pursuant to art. 9 of the Articles of Association, the regular constitution of the ordinary and extraordinary Shareholders' Meetings and the validity of their resolutions are regulated by the law and these articles of association.

Art. 16 of the Articles of Association establishes that the Board of Directors is given the following power to resolve, without prejudice to art. 2436 of the Italian Civil Code, on:

- merger in the cases listed under articles 2505 and 2505-bis of the Italian Civil Code and de-merger in the cases in which said rules are applicable;
- reduction of the share capital in the case one or more Shareholders withdraw;
- adaptation of the articles of association to legislative provisions;
- indication of which directors represent the company;
- establishment or closing of branches;
- the transfer of the registered office to another municipality in the national territory.

Pursuant to art. 22 of the Articles of Association, the ordinary Shareholders' Meeting approves the statutory financial statements within one hundred and twenty days from the end of the financial year, or within one hundred and eighty days since the company is required to draw up the consolidated financial statements or however when particular needs concerning the structure and purpose of the company so require.

\*\*\*

With regard to the functioning methods of the Shareholders' Meetings, on 25 June 2014 Shareholders' meeting regulations were approved by the Shareholders' Meeting. They define the procedures that allow for the orderly and functional progress of the meetings while guaranteeing the right of each

Shareholder to speak on the items on the agenda and also clarifying some aspects (maximum speaking time, voting methods and how the voting is held, etc.) aimed at assisting with the proper execution of the meeting works.

The Shareholders' Meeting Regulations are available at the Company's website in the section *governance/Shareholders' meeting documents*.

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In conformity with what is established by Application Criterion 9.C.2. of the Code, the Board takes steps so that all Shareholders are ensured adequate information on the elements necessary for them to be able to take Shareholders' meeting decision with full knowledge of the facts.

To this end, the directors' report on the items on the agenda, the file containing the statutory and consolidated financial statements and the reports of the Board of Statutory Auditors and the Independent Auditing Firm are made available to the public as soon as they are available to the Company, and however in observance of the procedures and terms required by current legislation, or lodged at the registered office and branch of the company, as well as at the company's website, at the address [www.tecnoinvestimenti.it](http://www.tecnoinvestimenti.it) , and the Shareholders are entitled to have copies of them.

The Board of Directors also reports on the activity carried out and scheduled at the time of approval of the financial statements.

Since the Shareholders' Meeting is a time for discussion amongst Shareholders and directors, the directors attend the Shareholders' Meetings, in particular those directors who give a useful contribution to meeting discussions owing to the offices they hold.

\* \* \*

As regards the rights of Shareholders, please refer to the legal and statutory rules currently applicable, except for what is indicated below.

Pursuant to art. 6 of the Articles of Association, the right of withdrawal from the company is valid only in the cases provided for by the applicable rules of law that are binding in nature and is excluded for Shareholders that have not contributed to the resolutions concerning extension of the company's term or the introduction, amendment or removal of statute limitations on circulation of the company's shares.

Pursuant to art. 23 of the Articles of Association, the net profits shown in the financial statements, regularly approved, after deducting the legal reserve, of which the Shareholders' Meeting resolves to distribute, are divided between all ordinary shares of the Shareholders.

Advances on the dividends can be distributed, in conformity with the provisions of law.

\* \* \*

The Remuneration Committee reports to the Shareholders on the exercise of their functions through the information in this Report and in the Remuneration Report.

\* \* \*

During the year, no changes took place in the capitalisation of the Company's shares basically connected to new changes and developments of the business.

**17. ADDITIONAL CORPORATE GOVERNMENT PRACTICES (pursuant to art. 123-bis, paragraph 2, letter a), of the TUF) AND LETTER OF 13 DECEMBER 2017 ADDRESSED FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE TO THE CHAIRMEN OF THE BOARDS OF DIRECTORS OF THE LISTED COMPANIES**

The company does not apply corporate government practices other than those already specified in the foregoing paragraphs. [In regard to the letter of 13 December 2017 addressed from the Chairman of the Corporate Governance Committee to the Chairmen of the Boards of Directors of the listed companies, the recommendations contained therein have already essentially been followed by the Issuer. The reasons for which the Company has decided not to follow said recommendation are indicted in this Report].

**18. CHANGES SINCE THE END OF THE YEAR UNDER REVIEW**

No changes in the corporate governance structure other than those reported in the specific sections of the Report have taken place since the end of the year.

## TABLES

**TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURES**

STRUCTURE OF SHARE CAPITAL				
	no. of shares	% of share capital	Listed in MTA/STAR segment	Rights and obligations
Ordinary shares	46,573,120	100%	Entire share capital	-
Shares with multiple vote	N/A	N/A	N/A	N/A
Shares with limited voting right	N/A	N/A	N/A	N/A
Shares with no voting right	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares)				
	Listed	No. outstanding instruments	Category of shares for conversion/exercise	No. shares for conversion/exercise
Convertible bonds	---	---	---	---
Warrants				

Significant equity participation			
Declarant	Direct Shareholder	% shareholding of ordinary capital	% shareholding of voting capital
TECNO HOLDING Spa	TECNO HOLDING Spa	56.509%	56.509%
QUAESTIO ITALIAN GROWTH FUND	QUAESTIO ITALIAN GROWTH FUND	9.937%	9.937%

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES as at 31 December 2017**

Board of Directors													Control and Risk Committee		Remuneration Committee	
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Exec.	Non-exec.	Ind. from the Code	Ind. from the TUF	No. other offices ***	(*)	(*)	(**)	(*)	(**)
<b>Chairman</b>	Enrico Salza	1937	14/10/2009	30/4/2015	Approval of Financial Statements 31.12.2017	M	no									
<b>Managing Director</b>	Pier Andrea Chevallard	1951	14/10/2009	30/4/2015	Approval of Financial Statements 31.12.2017	M	yes									
<b>Director</b>	Laura Benedetto	1965	24.10.2012	30/4/2015	Approval of Financial Statements 31.12.2017	M			x	x						M
<b>Director</b>	Giada Grandi	1960	24.10.2012	30/4/2015	Approval of Financial Statements 31.12.2017	M			x	x				C		
<b>Director</b>	Ivanhoe Lo Bello	1963	24.10.2012	30/4/2015	Approval of Financial Statements 31.12.2017	M			x	x						
<b>Director</b>	Elisa Corghi	1972	30/4/2015	30/4/2015	Approval of Financial Statements 31.12.2017	M			x	x				M		
<b>Director</b>	Aldo Pia	1945	30/4/2015	30/4/2015	Approval of Financial Statements	M		yes								M

					31.12.2017													
<b>Director</b>	Alessandro Potestà	1968	11	Since 19/4/2016	Approval of Financial Statements 31.12.2017	M		yes							M			
<b>Director</b>	Gian Paolo Coscia	1955	30/4/2015	30/4/2015	Approval of Financial Statements 31.12.2017	M			x	x								C
Preceding Directors																		
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		No. meetings held during year under review						Board of Directors: 14				CRC: 2			RC: 1			

**NOTES:**

\* The date of first appointment of each director is the date when the director was (absolutely) appointed for the first time to the Issuer's BoD.

\*\* M/m is indicated in this column depending on whether the member was elected from the list voted by the majority (M) or by the minority (m).

\*\*\* The number of offices of director or auditor held by the party in question in other companies listed on regulated markets, even foreign, in financial, banking, insurance or large companies is indicated in this column. The offices are indicated in full in the Corporate Governance Report.

(\*) Participation of the directors at the BoD and committee meetings, respectively, is indicated in this column (indicate the number of meetings attended compared to the total number of meetings that could have been attended; e.g. 6/8; 8/8, etc.).

(\*\*) The qualification of the director on the Committee is indicated in this column: "C": chairman; "M": member.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS as at 31/12/2017**

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List (M/m) **	Ind. from the Code	Participation at meetings ***	No. other offices ****
Chairman	Riccardo Ranalli	1955	14/10/2009	30/4/2015	Approval of Financial Statements 31.12.2017	M	X		
Standing auditor	Gianfranco Chinellato	1951	14/10/2009	30/4/2015	Approval of Financial Statements 31.12.2017	M	X		
Standing auditor	Domenica Serra	1958	30/4/2015	30/4/2015	Approval of Financial Statements 31.12.2017	M	X		
Alternate auditor	Alberto Sodini	1966	14/10/2009	30/4/2015	Approval of Financial Statements 31.12.2017	M	X	--	
Alternate auditor	Laura Raselli	1971	30/4/2015	30/4/2015	Approval of Financial Statements 31.12.2017	M	X	--	
		Indicate the quorum required for presenting lists at the time of the last appointment: 2.5%							
		Number of meetings held during year under review:							

**NOTES:**

\* The date of first appointment of each auditor is the date when the auditor was (absolutely) appointed for the first time to the Issuer's board of statutory auditors.

\*\* M/m is indicated in this column depending on whether the member was elected from the list voted by the majority (M) or by the minority (m).



\*\*\* Participation of the auditors at the board of statutory auditors meetings is indicated in this column (indicate the number of meetings attended compared to the total number of meetings that could have been attended; e.g. 6/8; 8/8, etc.).

\*\*\*\* The number of offices of director or auditor held by the interested party significant according to art. 148-bis of the TUF. The complete list of offices is annexed pursuant to art. 144-quinquiesdecies of the Consob Issuers' Regulation, the report on the supervisory activity, drawn up by the auditors pursuant to art. 152, paragraph 1 of the TUF.

## **ANNEXES**

**Riccardo Ranalli (Chairman)** - Enrolled in the Register of Chartered Accountants of Turin on 22 July 1982, as well as registered in the Register of Auditors since 1995. He has held numerous institutional and scientific positions. Author of over 70 publications in the field of business, business crisis, corporate governance, frequently called to lecture at leading Italian universities, Master's Degree programs, Advanced Professional Training Programs and Magistrates Superior Training Institute. He has a long-standing experience in supervisory bodies in banks, financial intermediaries, insurance companies, and diversified industrial sectors. He is also a member of the Board of Statutory Auditors in Argentea Gestioni S.c.p.A., Ativa S.p.A., Autostrade Lombarde S.p.A. Brebemi S.p.A., Fideuram Vita S.p.A., Intesa Sanpaolo Assicura SpA, Intesa Sanpaolo Group Services S.C.p.A, Intesa Sanpaolo Vita SpA, SIA S.p.A., Pedemontana Veneta S.r.l .

**Gianfranco Chinellato (Statutory Auditor)** –Member of the Register of Chartered Accountants and Accounting Experts of Rome since December 22, 1978, Statutory Auditor already Auditor of the Accounts since 1984. Since 1996 Adjunct Professor for the Chair of Tax Law at the University of Studies of Tuscia (Viterbo) and the Academy of the Guardia di Finanza, as well as Lecturer of the Tax Police School, now the Finance Police School of the Guardia Finanza. Lecturer in Tax Law at the Higher School of Economics and Finance, formerly "Ezio Vanoni" Central Tax School, now the National Administration School. Member of Consultative Commissions of the Order of Chartered Accountants of Rome in matters of national and international taxation. Author of monographs, essays and different articles on tax and corporate matters. Participation, as Lecturer and Speaker for the tax discipline to numerous "Master Tributaries", Seminars and Conferences. Coordinator and lecturer for the Tax Area of the preparation courses for the qualifying examination for the profession of Chartered Accountant for the Order of Rome and for the Order of Viterbo. He carries out consultancy, assistance and tax defense services at national and international level for Banks, Commercial and Industrial Companies, Ecclesiastical Bodies and No Profit, Amateur Sports Associations. He is also a member of the Board of Statutory Auditors of Mythos S.r.l., Borsa Merci Telematica Italiana S.p.A., Co.Mark S.p.A., Assicom Ribes S.p.A., Lextel S.p.A., Metrolatina S.p.A.

**Domenica Serra (Standing Auditor)** – Received the Diploma for Accounting at the Commercial Technical Institute "B. Vittone "of Chieri, obtained the qualification of Collegiate Accountant in 1980 in Turin. Registered in n. 3318 of the Order of Chartered Accountants and Accounting Experts for the constituencies of Ivrea-PineroloTorino and the Register of Statutory Auditors under no. 54475 as per Legislative Decree dated January 27th 1992 n. 88 of the D.P.R. November 20 n. 474, with ministerial decree from 12 April 1995 (G.U. 21 April 1995 No. 31bis). Since 1981 he has practiced as a chartered accountant in the tax and corporate sector, with particular reference to joint-stock companies. He holds offices as statutory auditor and auditor in various companies operating in various sectors (industrial, commercial, real estate, holding). He is a member of the Board of Statutory Auditors in RE Currency S.p.A., Fare Sviluppo Immobiliare S.p.A., K.G.R. S.p.A., Nova Gestioni Immobiliare S.p.A