

ANNUAL REPORT ON CORPORATE GOVERNANCE

YEAR 2019

(Translation into English of the original Italian version)

February 24, 2020



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
MILAN MONZA BRIANZA LODI COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
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***ANNUAL REPORT ON THE SYSTEM OF CORPORATE GOVERNANCE
AND COMPLIANCE WITH THE CODE OF CONDUCT OF LISTED
COMPANIES***

– YEAR 2019 –

Report on Corporate Governance and on the ownership structure

(in accordance with art. 123-bis of the Consolidated Law on Finance – T.U.F.)

The purpose of this Report (hereinafter the “Report”) is to illustrate the model of corporate governance that SOGEFI S.p.A. (hereinafter the “Company”) adopted during the year 2019.

The Report approved by the Board of Directors on February 24, 2020 is made available to Shareholders, as provided by the law, as part of the documents provided for the Shareholders meeting called to approve the 2019 Financial Statements. At the same time the Report will be also available on the authorized storage system eMarket STORAGE (www.emarketstorage.com) and, together with other documents of interest to the market, on the Company’s website www.sogefigroup.com (section Investor – Corporate Governance).

The main duties and functions of the corporate bodies and of the internal control and risk management system are described in the document "Code of Conduct of Sogefi S.p.A.", which was approved by the Board of Directors on February 26, 2013 and subsequently amended. This document (available on the Company’s website) is attached to this Report (Annex B).

Sogefi S.p.A. falls within the definition of SME under art. 1, paragraph 1, letter w-quater.1) of the TUF as specified in the SME list published by Consob (on January 21, 2020) on its website (art. 2-ter para. 2, Consob's Rules for Issuers).

INFORMATION ON OWNERSHIP STRUCTURE (ex art. 123-bis, paragraph 1, T.U.F.) AS OF DECEMBER 31, 2019

a) Structure of share capital (ex art. 123-bis, paragraph 1, letter a), T.U.F.)

The share capital of Sogefi S.p.A. fully paid in at December 31, 2019 amounts to € 62,461,355.84, split into 120,117,992 ordinary shares listed at Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. – STAR segment.

All the ordinary shares have the same rights and obligations.

In previous years the Company has implemented stock option plans involving increases in share capital. Details of these plans can be found in the information documents drawn up in accordance with the art. 84-bis of Consob Regulation 11971/99 (Rules for Issuers) available on the Company's website.

The Extraordinary Shareholders' Meeting of September 26, 2014 resolved to increase the share capital by issuing up to 18,572,171 ordinary shares of the Company reserved to the conversion of bonds issued on May 21, 2014. For more details, please refer to the related documents available on the Company's website (in the section Shareholders - Meetings).

b) Restrictions on the transfer of shares (ex art. 123-bis, paragraph 1, letter b), T.U.F.)

The Company's shares are freely transferable, with the exception of some restrictions applicable:

- to determined group of people for limited periods of time, as per Code of Conduct concerning Internal Dealing published on the Company website (section Investor – Corporate Governance).

- to the beneficiaries of Stock Grant Plans, deliberated from 2011 to 2019; as said plans require beneficiaries to irrevocably undertake to hold continuously a number of shares at least equal to 10% of the shares assigned pursuant to the plan until the fifth anniversary of the grant date. During the above period, the shares will be subject to the inalienability requirement, unless otherwise authorized by the Board of Directors.

c) Relevant shareholding (ex art. 123-bis, paragraph 1, letter c), T.U.F.)

As Sogefi S.p.A. falls into the SME category, as defined by art. 1 of T.U.F., only holdings exceeding 5% of voting right are listed below.

The shareholder that, in the last resort, holds directly or indirectly more than 5% of the capital with the voting right, fully paid in at December 31, 2019, as per the Shareholders' book and on the basis of communications received pursuant to art. 120 of the Legislative Decree n. 58/98 and information available at the Company, is F.lli De Benedetti S.p.A. (through CIR S.p.A.) with no. 66,788,988 SOGEFI shares equal to 55.603% of the share capital of the Company, with voting rights.

On this matter, we would like to point out that the merger by incorporation of CIR S.p.A. in COFIDE S.p.A. (as a result of which, COFIDE changed name into "CIR S.p.A. – Compagnie Industriali Riunite") with the corresponding adjustment of the statement on direction and coordination under art. 2497-bis of the Italian Civil Code became effective on February 19, 2020.

d) Shares granting special rights (ex art. 123-bis, paragraph 1, letter d), T.U.F.)

The Company has not issued shares with special control rights.

e) Shareholding of employees: mechanism to exercise the voting right (ex art. 123-bis, paragraph 1, letter e), T.U.F.)

No particular mechanisms to exercise the voting right are in place concerning the participations from employees.

f) Restrictions on the voting right (ex art. 123-bis, paragraph 1, letter f) T.U.F.)

The Company's Articles of association doesn't provide limits to the voting right.

g) Agreement between Shareholders (ex art. 123-bis, paragraph 1, letter g) T.U.F.)

The Company is unaware of agreements between shareholders in accordance with art. 122 T.U.F.

h) Change of control clauses (ex art. 123-bis, paragraph 1, letter h) T.U.F.)

In some financial agreements entered into by Sogefi S.p.A. "change of control" clauses are provided, as follows:

- Loans from Mediobanca (2017), Unicredit (2014), ING Bank (2015), Intesa (2018), Mediobanca (2018), and Banca Nazionale del Lavoro (2018)

providing for an obligation of advanced refund in case the following conditions should be met: (i) acquisition of the control right on Sogefi by a third party having a credit rating lower than a given limit and (ii) a period of 30 working days has elapsed without the parties being able to come to an agreement to continue the business relationship.

- US private placements (2013) providing for the right of noteholders to obtain the early refund in case of the acquisition of control on Sogefi by a third party with a credit rating lower than a given limit.
- Bond issued (2014) providing for the right of the bondholders to get the early refund in case of the acquisition of control on Sogefi by a third party.
- EU Private placements (2019) providing for the right of the noteholders to obtain early refund in case of the acquisition of control on Sogefi by a third party with a credit rating lower than a given limit.

The Stock Grant Plans, approved from 2011 to 2015, provide that in the event of a public offer or change of control a third of the *Units* allocated to beneficiaries, but not yet vested, shall immediately accrue regardless of the date and the conditions specified in the Plan.

Sogefi S.p.A.'s Articles of Association do not provide for exceptions to passivity rule provisions under art. 104, paragraphs 1 and 1-bis, of the TUF and neither for the application of neutralization rules under art. 104-bis, paragraphs 2 and 3, of the TUF. Furthermore, some subsidiaries have entered into commercial contracts which, as is customary in international contracts and in negotiating practice for such agreements, include clauses that grant the counterpart the faculty to terminate the contract in case of change of control.

i) Indemnity to Directors in the event of resignation, dismissal without good cause or interruption of work contract as a result of a public offer (ex art. 123-bis, paragraph 1, letter i) T.U.F.)

With reference to the Policy for 2019 financial year, no indemnities are in force for

Directors in case of resignation, dismissal without good cause or interruption of work contract as a result of public offer.

With reference to Mr. Laurent Hebenstreit (no longer in office as General Manager and Managing Director from December 9, 2019), still a Company employee, the terms for his final termination of employment are currently being defined and are expected to be formalized by the first half of 2020.

l) Appointment and replacement of Directors and articles of association amendments (ex art. 123-bis, paragraph 1, letter l) T.U.F.)

For the appointment and replacement of Directors, see point 5) of the Report and art. 5 of the attached Code of Conduct of Sogefi S.p.A.. The Articles of association do not provide for any additional independence and integrity/professional requisites with respect to the provisions of current legislation.

For the amendments of the articles of association the provisions of the law are applied.

m) Delegation of power to increase the share capital and authorizations to buy back of own shares (ex art. 123-bis, paragraph 1, letter m) T.U.F.)

Pursuant to articles 2443 and 2420-ter of the Italian Civil Code, for a maximum period of five years from the date of registration in the Company Register of the resolution of the Extraordinary Shareholders' Meeting dated April 26, 2019, the Board of Directors has the power to:

a) increase, on one or more occasions, the share capital by a maximum total par value of Euro 100,000,000 (one hundred million) free of charge and/or for a fee, with or without share premium, also with the exclusion or limitation of option rights pursuant to article 2441 IV and V paragraphs of the Italian Civil Code, with the power to determine, from time to time, the class of shares, the issue price of the shares (including any share premium), the dividend entitlement, any allocation of the share capital increase for the conversion of bonds issued also by third parties both in Italy and abroad, as well as for the service of subscription certificates (warrants) and to determine the reserves and funds available to be charged to capital and their amount. More generally, to define the methods, terms and conditions of the share

capital increase;

b) increase, on one or more occasions, the share capital by a maximum total par value of Euro 5,200,000 (five million and two hundred thousand), with issue of a maximum number of 10,000,000 shares, with or without share premium, also belonging to special categories (privileged, savings, with ancillary rights) to be reserved for subscription, pursuant to article 2441, V and last paragraph of the Italian Civil Code, by directors and employees of the Company and its subsidiaries, the Board having the power to determine the issue price of the shares, subscription requirements and limits to share availability, as well as more generally, to define the methods, terms and conditions of said subscription;

c) issue – on one or more occasions, even with the exclusion of the option right, and in this case in favour of institutional investors – convertible bonds or bonds featuring ancillary rights to allocation of shares, also in a foreign currency, to the extent allowed by law, with a corresponding increase of the share capital, up to a maximum amount of EUR 100,000,000 (one hundred million). More generally, to define the methods, terms and conditions of the bond issue and its regulation.

The Ordinary Shareholders meeting on April 26, 2019 authorized the Board of Directors, according to art. 2357 of the Italian Civil Code, for eighteen months starting from the day after the meeting deliberation, to buy back a maximum of 10,000,000 own shares for a total nominal value of Euro 5,200,000 (including the own shares already being held as treasury stock even through subsidiaries that cannot exceed the fifth part of the share capital of the Company. The purchases should not be made at a price more than 10% higher or lower than the official price recorded by the Sogefi shares in the Stock Exchange trading session before each buyback transaction or the date on which the price is fixed. When the shares are bought back in the regulated market, the price must not be higher than the higher of the price of the last independent transaction and the highest current independent bid price on the same market.

At December 31, 2019 the Company had no. 2,259,760 treasury shares equal to

1.88% of the share capital.

n) Direction and coordination (ex art. 2497 and thereafter of the Civil Code)

The Company is subject to the direction and coordination by its parent company CIR S.p.A., pursuant to art. 2497 and thereafter of the Civil Code.

On this matter, we would like to point out that the merger by incorporation of CIR S.p.A. in COFIDE S.p.A. (as a result of which, COFIDE changed name into “CIR S.p.A. – Compagnie Industriali Riunite”) with the corresponding adjustment of the statement on direction and coordination under art. 2497-bis of the Italian Civil Code became effective on February 19, 2020.

COMPLIANCE AND OTHER INFORMATION (ex art. 123-bis, paragraph 2, T.U.F.)

a) Compliance with a code of conduct regarding the corporate governance

The Company complies with the Code of Conduct of the listed companies approved by the Committee for the Corporate Governance of the listed companies and promoted by Borsa Italiana S.p.A., available on the Committee for the Corporate Governance website <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

SOGEFI S.p.A. and its strategic subsidiaries are not subject to non-Italian laws that influence the Issuer's corporate governance structure.

b) Main characteristics of the risks management and internal control systems existing in relation to the financial disclosure process

This information is provided in point 7) of the Report and in art. 7 of the attached Code of Conduct of Sogefi S.p.A. dedicated to the Internal control system and risk managing.

c) Working mechanisms of the Shareholders meeting, main powers and rights of the Shareholders and procedures for their exercise

See explanation in point 10) of the Report (Shareholders meetings) and art. 9 of the attached Code of Conduct of Sogefi S.p.A. (Relations with the Shareholders).

d) Composition and working of the administrative and control bodies and of their committees

See explanation:

- in this Report, points 1), 2), 3) and 5) for the Board of Directors, point 8) for the Statutory Auditors, and points 4), 5), 6) and 7) for the Committees;

- in the attached Code of Conduct, art. 1, 2, 3 and 5 for the Board of Directors, art. 8 for the Statutory Auditors, art. 4, 5, 6 and 7 for the Committees.

d-bis) Description of policies on the subject of diversity

Following the entry into force of the Legislative Decree n. 254/16 which introduced the art. 123-bis of the TUF (letter d-bis of paragraph 2), it is envisaged that the Report on Corporate Governance should "contain a description of the diversity policies

applied regarding the structure of boards of directors, managements and boards of statutory auditors in relation to aspects such as age, gender and training/professional courses taken, with a description of the objectives, implementation methods and results of said policies. If no policy is applied, the company must clearly and precisely indicate the reasons for said choice”.

The Board of Directors of the Company at the meeting held on February 26, 2018 , confirmed its strategy of not adopting any further policies on the subject of diversity in the composition of boards of directors and boards of statutory auditors, as set out in Art. 123-bis, paragraph 2, letter d-bis of the TUF, given that, without prejudice to the requisites of integrity, professionalism and independence as well as the situations of incompatibility and/or lapses of position laid down by law and by the Company’s Articles of Association:

1. the Company has already adopted in the Articles of Association a policy that ensures a balance of genders in the composition of the Board of Directors and the Board of Statutory Auditors;
2. the Code of Conduct of Sogefi S.p.A. (attached to this report) has also been adopted and this in Art. 2 (to which reference should be made) on transposing and implementing the content of the Code of Conduct, gives a clear indication of the composition of the Board, the competences and professionalism of the Directors and the way in which the duties of the position should be carried out;
3. at least once a year the Board already carries out a regular assessment of the size, composition and functioning of the same Board and its committees, taking into account elements such as professional profile, experience, including managerial experience, and gender of its members as well as their seniority. This assessment gives the Board the opportunity to carry out a regular check that the policies referred to in point 2 above are being implemented;
4. the Board can avail itself of the right contained in the same Code of Conduct of Sogefi (Art. 1) to give the Shareholders, before the appointment of a new Board, its opinion on the size and composition of the new Board, taking into

account even the assessment described in the previous point, with the aim of guiding the Shareholders, according to their reciprocal duties and prerogatives, in their choices so that they can freely designate the members of the Board of Directors.

While reserving the right to reconsider its position in the future, the Board considered the above factors to be sufficient for the time being in order to guarantee an adequate structure in terms of diversity in the composition of the Board of Directors, an opinion that is confirmed by the current composition of the Board in view of the various aspects considered, i.e.: age, gender, experience / seniority, professional competences, training, culture and international dimension. The outcome of the Board Review process for the year 2019 has been reported during the meeting of the Board of Directors held on February 24, 2020, again confirmed the adequacy of the composition of the current Board in terms of diversity (*latu sensu*) and the fact that the same Board as a whole has a balanced mix of experience and competences that are adequate and in line with the future needs of the Company.

**1) Role of the Board of Directors (ex art. 123-bis, paragraph 2, letter d),
T.U.F.)**

For general provisions concerning the Role of the Board of Directors, see art. 1 of the “Code of Conduct of Sogefi S.p.A.” attached to this Report.

At the date of this Report, the Board of Directors has performed, among other things:

- on the basis of the internal procedures duly approved by the Board of Directors on October 23, 2012, examined and approved the strategic, industrial and financial plans of the Company and of the Group by checking their implementation on a regular basis;
- defined the nature and the risk level compatible with the strategic objectives of the Company, taking into account in terms of possible impact the main risks related to the businesses of the subsidiaries and has performed a global risk assessment;
- assessed the adequacy of the organisational, administrative and accounting structure of the Company, as well as the one of the strategic subsidiaries, in particular referring to the internal control and risk management system;
- defined the intervals, usually quarterly, at which the Managing Director must report to the Board the activities that have been carried out in the execution of the assigned powers, under the provisions of the Company Bylaws;
- assessed the management performances by taking into account especially the information received by the Managing Director;
- examined and approved beforehand the transactions of the Company and examined the ones of its subsidiaries with a significant strategic importance based on materiality parameters and on the procedure adopted by the Board of Directors held on October 23, 2012;
- performed an assessment on the size, composition (also taking into account the elements such as professional, practical and managerial profiles, gender and office seniority) and operation of the Board itself and its committees. An external consultant, Russell Reynolds Associates, which does not perform any other services for the Company, was appointed to conduct the assessment

process. The methodology applied was based primarily on an analysis of the Directors' responses to a questionnaire and subsequent individual interviews with each of the Directors. The questionnaire consists of specific questions regarding, among other things: the adequacy of the number of members, the composition of the Board and the Committees, as well as the professional profiles represented therein, the course of meetings of the Board and the Committees, the relevant information/documentation flows and decision-making processes.

The self-assessment results were presented during the meeting of the Board of Directors held on February 24, 2020 by the Lead Independent Director, after examination of the Control and Risk Committee. The self-assessment has produced an overview that confirms the Board's many areas of strength, while presenting opportunities for improvement.

- ensured the internal management and external communication of documents and information about the Company, especially referring to privileged information, in accordance with the procedure adopted by the Board of Directors (as last modified on July 24, 2018).

For other activities of the Board of Directors concerning “Control and Risk System”, refer should be made to paragraph 7) “Internal Control and Risk Management System”.

Art. 1 of the attached Code of Conduct of Sogefi S.p.A. contains a guideline on the maximum number of offices of Director or Statutory Auditor which was approved by the Board of Directors on October 23, 2012; namely, it sets limits for the number of positions that executive and non-executive Directors of Sogefi may hold in Significant Companies, as defined by the Board.

On April 26, 2019, the Board of Directors of the Company, convened at the end of the Shareholders meeting, appointed as Chairman Ms. Monica Mondardini with the following powers:

- a) representative of the Company in Italy and abroad before any legal, administrative, tax authorities (either ordinary or special), and of any degree and

- type, with powers to sign any representation or statement, promoting or defending actions, defences, exceptions, by appointing or dismissing counsels and attorneys;
- b) relate with institutional entities and public and private organisations, either at national or international level;
 - c) receive from the Managing Director and preliminarily examine the information note to the Board of Directors in order to ensure the comprehensive and accurate information of all Board Members;
 - d) receive from the Managing Director and preliminarily examine all legal and regulatory notices regarding listed companies;
 - e) superintending the Internal Audit activities, without prejudice to the prerogatives of both the Managing Director, as the appointee of the risk control and management system, and the control and risk committee;
 - f) support and duly supervise the implementation of corporate governance rules concerning the activities of the Board of Directors;
 - g) appoint “special purpose” attorney and award powers, either permanent and/or for the performance of single or categories of instruments.

On the occasion of the same meeting on April 26, 2019, the Board of Directors had also appointed Mr. Laurent Hebenstreit as Managing Director (CEO) (he also had the role of General Manager until December 9, 2019), and granted Mr. Hebenstreit powers and responsibilities for strategic, industrial and financial planning of the Company and the Group.

As from December 9, 2019, Mr. Hebenstreit no longer stands as General Manager and Director.

During the meeting held on December 9, 2019, the Board of Directors co-opted, under art. 2386 of the Italian Civil Code, Mr. Mauro Fenzi as Director of the Company and on the same day appointed him to the office of managing Director (CEO) thereby granting him powers and responsibilities for strategic, industrial and financial planning of the Company and the Group.

To this end, the Managing Director, Mr. Mauro Fenzi, is awarded the following powers:

- a) giving impetus and defining the strategic business and financial plans at Company and Group level to later submit to the analysis and approval by the Board of Directors;
- b) developing and proposing policies and programs of corporate investments in the framework of long-term plans for the development strategies adopted by the Board of Directors;
- c) developing and proposing financial strategies and policies of the Company and the Group in relation to the development, profitability and risk objectives determined by the Board of Directors, with the responsibility for their implementation; checking that the objectives are pursued in compliance with the guidelines set by the Board of Directors on the matter;
- d) ensuring the adequacy of the organisational, administrative and accounting structures, with specific regard to the nature and size of the Company and also according to the guidelines set by the Board of Directors;
- e) optimising financial management tools and procedures, ensuring and maintaining relations with the financial system;
- f) designing and proposing strategies concerning the organisational development and the human resources staffing, management and training policies;
- g) exercising the prerogatives belonging to the person appointed of risk control and management;
- h) governing the yearly accounts drafting process, also concerning the other periodical (quarterly and half-year reports) or extraordinary accounting documents to later submit them to the approval of the Board of Directors;
- i) coordinating the preparation of business plans, long-term plans, annual budget and the related reporting;
- j) identifying the top lines to which he has to address the management of all the interests in associated and related companies, associations, consortia, joint ventures, including the criteria and guiding principles for the exercise of voting rights at Shareholders' Meetings of associated and related companies, for the purpose of their approval by the Board of Directors;
- k) preliminarily sending the Chairperson the information note to the Board of

Directors in order to ensure the comprehensive and accurate information of all Board Members;

- l) executing, upon submitting them to the Chairperson for approval, all legal and regulatory notices or requirements regarding listed companies;
- m) hiring, appointing, revoking and dismissing executive level employees; amending the economic and regulatory terms of executive level employment contracts, as well as settling the relevant disputes;
- n) awarding his powers to other having less powers, by appointing attorneys for ordinary management operations or categories thereof;
- o) assuming the role of Director in charge of the risk control and management.

At the meeting of the Board of Directors held on December 9, 2019, Mr. Mauro Fenzi was also appointed General Manager with effect from January 1st, 2020.

Mr. Mauro Fenzi, in his capacity as General Manager, was granted the broadest power of management and representation, in order that he might superintend the ordinary management of the Company, performing all those ensuing and instrumental acts thereof, as well as the power to represent the Company before any Authority and before all public and private Offices and third parties in general, in all ordinary management business, without any exceptions.

For the sake of completeness, this is to specify that ordinary management tasks are construed to be inclusive of, but not limited to, the following:

- a) implement the decision made by the Board of Directors, performing all instruments, including extraordinary management, as approved by the same Board of Directors;
- b) see to the consistent management of the Company, its business branches and subsidiary companies and to the management of all stakes held in subsidiary and affiliate companies in line with the strategic lines approved by the Company's Board of Directors;
- c) represent the Company at the meetings of other companies, associations and consortia and in the relation with said entities, their bodies and members or affiliates, consistently with the strategic lines defined by the Managing Director and approved

by the Company's Board of Directors;

- d) open bank current accounts as well as other special or separate current accounts, also in foreign currencies;
- e) request bank overdrafts or credit advances in general;
- f) issue orders and make withdrawals from said accounts, also in the form of bank cheques issued to third parties on cash availabilities and credit lines available;
- g) endorse bills of exchange, cheques, notes and documents for discounting or collection;
- h) represent the Company before any offices of any financial institutions whatsoever in the mid term;
- i) represent the Company in Italy and abroad before any administrative authority, entity or public office for the inclusion in registries, lists and boards, executing the required applications and with the power of appointing representatives and attorneys and to make representations of any kind concerning the Company for the above;
- j) perform all documents and relevant transactions before public administration and other public offices in order to obtain concessions, licenses and authorisations in general, executing the relevant deeds, produce reports and instate litigation processes;
- k) see to the issue of drafts for performed sales to customers;
- l) see to the establishment of securities deposits for custody or management, with the power to request capitals and interests;
- m) request and transfer credits with and without recourse; request and execute bank approvals, cash amounts and any sum due to the Company by anyone, issuing receipts and releases in the required forms, collect post and wire money orders, vouchers, cheques and others of any kind and amount, including mandates from all the entities mentioned above, while issuing all relevant receipts;
- n) issue notices of arrears and have protests served, implement enforcement and protection orders as well as promote forced execution orders against Company debtors, by assigning suitable and relevant mandates;
- o) request the opening of credit lines or credit in general on current accounts in the

form of securities lending, including: the transfer to banking institutes, entities or people of secured and unsecured loans and the obligations and commitments thereof;

p) notify to banks and other entities the total, partial or specific economic and financial situation concerning the Company;

q) enter into, amend and terminate instruments and contracts on behalf of the Company with all clauses deemed necessary, including the arbitration clause and, among others, for the sake of exemplification; purchase and sale agreements of movable goods, also registered, and raw material or material, product and service supply agreement, exchange agreement, tender contracts, also ensuing public or private calls and also in the form of temporary business association, taking or assigning mandates, leasing agreements, licensing, rental, freight, administration, insurance, brokerage, agency, mandate, deposit, credit transfer, lending, movable goods pledge (including receivables) agreement, movable and real property lease agreements having a term not exceeding nine years, as well as agreements concerning intellectual property rights, trademarks, designs and relevant patents, agreements for the constitution of consortia, economic interests groups and execution of the relevant covenants, collaboration and association agreements;

r) appoint advisors, consultants or party experts and assign tasks in the interests and on behalf of the Company;

s) hire, appoint, revoke and dismiss employees of any level and degree, excluding executives; amend the economic and regulatory terms of the employment contracts, excluding those of executives, as well as settle the relevant disputes;

t) represent the Company in Italy and abroad before any legal and administrative authority either ordinary or special and of any degree and jurisdiction, also including actions to void and actions before the supreme court, with powers to order, notify and promote petitions/appeals and oppositions and defend others made by third parties, also by appointing special attorneys, before any authority; execute any representation, claim, exception and defence and any other documents of any nature whatsoever; submit and press charges and release them, make reports, appear as a civil plaintiff in criminal proceedings, intervene in criminal proceedings in

representation of the Company as plaintiff; represent the Company in composition and executive proceedings; accept or reject offers of composition; file for bankruptcy; notify orders and request enforcement actions and/or defend others made by third parties and/or intervene in enforcement actions made by third parties; settle or negotiate any disputes in courts; assign and report oaths, assign and report interviews and requests also on matters of misrepresentation; make and request judicial deposits, duly issuing the relevant receipts; perform all of the above also by means of special attorneys having the power to appoint counsels and attorneys and issuing on behalf of the Company all required general or special powers of attorney and to elect domicile, as well as appoint special attorneys in order to represent the Company;

u) define and assign to arbitrators, also in an amicable settlement, any controversy, be it due to the arbitration clause or other clauses to the same effect, appointing the arbitrators and seeing to all formalities concerning the ensuing awards;

v) respond on behalf of the Company, also by means of special attorney, with garnishee statements before the judiciary authority;

w) represent the Company in Italy and abroad before industry associations and trade unions as well as institutions, associations and consortia;

x) render and execute statements and reports as prescribed under tax, welfare and social security laws, see to the compliance with tax provisions to which the Company is bound also in its capacity as tax substitute, with the power to execute, for the purposes of the above, statement or any other instruments or certificates;

y) sign the business correspondence of the Company;

z) perform any instruments for the execution of all documents concerning importation and exportation operations, as well as temporary importation, temporary exportation, re-exportation as well as re-importation;

aa) perform all documents and take all initiatives, in the light of the powers assigned, to ensure the full compliance of the activities held by the Company to any laws, regulations, orders, measures and provisions by international, European, national and local authorities;

bb) perform any other actions necessary within the limits of ordinary management

and in the interests of the Company, except for anything expressly reserved to the Board of Directors and the Managing Director;

cc) award her powers to other having less powers, by appointing attorneys for ordinary management operations or categories thereof.

Moreover, General Manager Mr. Mauro Fenzi shall be awarded the following powers:

a) establish new companies, take and dispose of stakes held in companies, purchase or transfer companies or businesses thereof up to a value of € 5 million (per transaction);

b) issue, within a limit of € 5 million per transaction, to third parties, including the state administration, banks and credit or insurance institutions, guarantees and counter-guarantees concerning commitments made and to be made before anyone, in the interests of subsidiaries or companies in which the company holds interests, pursuant to the terms and conditions required; request anyone to grant guarantees in favour of the Company, independent guarantee contracts, patronage letters and other forms or real or personal guarantees.

The Company adheres to the so-called ban on interlocking, for which reference should be made to Article 2 of the herein attached Code of Conduct.

2) Composition and working of the Board of Directors (ex art. 123-bis, paragraph 2, letter d) T.U.F.).

The Board of Directors includes between five and fifteen members. They are appointed by the General Shareholders Meeting for a fixed term which may not exceed three years and are eligible for re-election (art. 17 of the Company's Articles of association).

For general provisions concerning the composition and working of the Board of Directors, see art. 2 of the Code of Conduct of Sogefi S.p.A. attached to this Report, as well as the provisions of art. 1 of said Code of Conduct on the functions of the Chairman.

At December 31, 2019, the Board of Directors is composed of eight Directors, of

which:

- 7 Directors appointed by the Shareholders' Meeting on April 26, 2019;
- 1 Director (Mr. Mauro Fenzi who is also Managing Director) co-opted under art. 2386 of the Italian Civil Code on the occasion of the Board of Directors' meeting held on December 9, 2019.

In terms of their number and prestige, the non-executive Directors are such as to guarantee a significant contribution to Board decision making; they bring their own specific skills to Board debates and helping make decisions in the interests of the Company.

Independent Directors represent the majority of the Board.

The composition of the Board of Directors of the Company is such as to ensure a sufficient level of operational autonomy and hence maximization of its economic and financial objectives.

The Board of Directors in office is composed, at December 31, 2019, as follows:

Name	Office	Year of birth	In office from	In office until	List	Executive	Non-executive	Independent, Code of Conduct	Independent, T.U.F.	% BoD	Other positions	Office seniority
Mondardini Monica	Chairman	1960	26.04.2019	31.12.2021	M	X				100	4	19.4.2013
Fenzi Mauro	Managing Director and General Manager (*)	1961	09.12.2019	31.12.2019 (**)	NA (**)	X				NA (***) (*)	-	09.12.2019
De Benedetti Rodolfo	Director	1961	26.04.2019	31.12.2021	M		X			89	6	28.4.1997
Canziani Patrizia	Director	1967	26.04.2019	31.12.2021	M		X	X	X	100	-	27.4.2016
Di Vieto Roberta	Director	1969	26.04.2019	31.12.2021	M		X	X	X	100	3	20.4.2010
Melis Mauro	Director	1955	26.04.2019	31.12.2021	M		X	X	X	89	2	27.4.2016
Riccobon Ervino	Director	1964	26.04.2019	31.12.2021	m		X	X	X	100	-	26.04.2019
Streiff Christian	Director	1954	26.04.2019	31.12.2021	M		X	X	X	60	-	26.04.2019
Directors no longer in office												
Germano Giovanni	Director	1938	27.04.2016	31.12.2018	M		X	X	X	100 (***)	-	1.04.1987

Pallavicini Raffaella	Director	1969	27.04.2016	31.12.2018	M		X			75 (***)	-	27.04.2016
Rocca Paolo Riccardo	Director	1947	27.04.2016	31.12.2018	M		X	X	X	100 (***)	1	17.04.2003
Hebenstreit Laurent	Managing Director and General Manager	1961	26.04.2019	9.12.2019	M	X				100 (***)		5.06.2015

No. of meetings of the Board of Directors in the year: 9

(*) co-opted under art. 2386 of the Italian Civil Code as Director and appointed Managing Director on 9.12.19. Appointment as General manager is effective from January 1st, 2020

(**) co-opted under art. 2386 of the Italian Civil Code, remains in office until next Shareholders' meeting

(***) percentage of attendance with reference to the meetings of the BoD held until the termination of the office

(****) co-opted by the BoD on 9.12.19. No later meetings of the BoD have been held in 2019

Notes:

List: M/m: if the Director has been appointed from the list voted by the Majority or the minority.

Independent (Code and T.U.F): indicates if the Director can be qualified as Independent according to the criteria stated in the Code of Conduct of Borsa Italiana S.p.A. and in the art. 148 paragraph 3 of the T.U.F.

% BoD: indicates the presence of the Director, in percentage, at the meetings of the Board of Directors held during the year.

Other positions: indicates the number of the offices held in other companies listed in regulated markets, in financial, bank, insurance or relevant dimension companies (Annex A).

Mr. Carlo De Benedetti is Honorary President of the Company.

The Board of Directors discloses annually the positions as Director or Statutory auditor held by Directors in listed companies and in financial, banking, insurance or relevant dimension companies (Annex A).

In occasion of their nomination, all the Directors have deposited the declarations attesting the cause of ineligibility and incompatibility provided by the law, the possession of professional and honourableness qualifications required by the law in force and by the Company's Articles of association. The Directors appointed during the Shareholders meeting held on April 26, 2019 have been drawn as follows:

- 7 Directors (Ms. Monica Mondardini, Mr. Rodolfo De Benedetti, Mr. Laurent Hebenstreit, Ms. Roberta Di Vieto, Ms. Patrizia Canziani, Mr. Mauro Melis, Mr. Christian Streiff) from the list presented by the majority Shareholder CIR S.p.A. owner, at the date of that Shareholders meeting, of a participation equal to 55.603% of the share capital;
- 1 Director (Mr. Ervino Riccobon), from the joint list deposited by some minority Shareholders, owners, at the date of said Shareholders meeting, of

a stake equal to 2.789% of the share capital.

The Ordinary Shareholders' Meeting of April 26, 2019 resolved to allow the Directors appointed to take other positions, in accordance with art. 2390 of the Italian Civil Code.

Subsequently, on December 9, 2019, Mr. Hebenstreit terminated his office as Director and General Manager.

At the meeting held on December 9, 2019, the Board of Directors co-opted, pursuant to article 2386 of the Italian Civil Code, Mr. Mauro Fenzi as a Director of the Company, appointing him Managing Director on the same date.

The key personal and professional characteristics of each Director are provided in the respective curriculum vitae published on the Company's website.

During 2019, the Board of Directors met nine times. The average duration of the meetings was of two hours. For 2020 six meetings have been planned, two of them have already taken place at the date of this Report.

Before the meeting, the documents under discussion shall be made available within the reserved area of Directors, so the required information is forwarded to each Board member in good time, with link and password to access their areas.

The General Manager takes part in the Board meetings; the Manager responsible for preparing the Company's financial reports takes part in the meetings of the Board of Directors at which his presence is required; other managers of the Group participate in Board meetings if their presence is considered to be necessary/appropriate to provide insights on specific topics. In 2019 the title of General Manager was held, until December 9, 2019, by Mr. Hebenstreit (who, up until the same date, was also Managing Director) who took part in all Board meetings held until his term of office expired; since January 1st, 2020, the title of General Manager has been held by Mr. Mauro Fenzi. The Manager responsible for preparing the Company's financial reports attended all the Board meetings; the General Counsel of Sogefi, who also holds the position of Secretary of the Board of Directors of the Company, attended all Board meetings held in 2019.

In accordance with the Code of Conduct of Borsa Italiana concerning the information that should be provided to the Board, the Chief Executive Officer is required to report periodically (at least quarterly) to the Board of Directors and Board of Statutory Auditors on activities performed in the exercise of the powers granted to him.

Furthermore, the Chief Executive Officer must regularly (at least quarterly) provide adequate information to the Board of Directors and Board of Statutory Auditors on singular or unusual operations.

On April 18, 2000, the Board of Directors has appointed the Remuneration Committee (to which the Board of Directors held on October 23, 2012 has attributed also the functions of the Appointment Committee providing therefore to one single Appointment and Remuneration Committee) and Internal Control Committee (renamed Control and Risk Committee by the Board of Directors on October 23, 2012). On October 19, 2010, the Board of Directors has established the Committee for related party transactions setting that the members coincide with the same of Control and Risk Committee.

The table below shows the current composition of the Committees established by the Board of Directors: the Appointment and Remuneration Committee, the Control and Risk Committee and the Committee for Related Party Transactions (whose members coincide with the members of the Control and Risk Committee) and shows, in percentage, the presence of each member at the respective meetings:

<i>Name</i>	<i>Appointment and Remuneration Committee</i>	<i>% A and RC</i>	<i>Control and Risk Committee</i>	<i>% C and RC</i>	<i>Committee for related party transactions</i>	<i>% RPTC</i>
Canziani Patrizia			M	100	M	100
Di Vieto Roberta			P	100	P	100
Riccobon Ervino	M (****)	100 (***)				
Melis Mauro	P (*)	100	M (**)	100 (***)	M (**)	100 (***)
Streiff Christian	M (****)	100 (***)				
Members of the Committees no longer in office from April 26,2019						

Rocca Paolo Riccardo	P	100 (*****)	M	75% (*****)	M	100 (*****)
Germano Giovanni	M	100 (*****)				
No of meetings of ARC in the year: 4 No of meetings of CRC in the year: 8 No of meetings of RPTC in the year:2						

(*) Appointed Chairperson of the ARC on April 26, 2019

(**) Appointed member of the CRC/RPTC from April 26, 2019

(***) attendance percentage with reference to the meetings after appointment date of April 26, 2019.

(****) Appointed member of the ARC on April 26, 2019

(*****) attendance percentage with reference to the meetings before lapsing from office.

Notes:

Office in the Appointment and Remuneration Committee, Control and Risk Committee and in Committee for Related Party Transactions: “P” means President, “M” other members.

% A and RC: indicates the presence of the Director, in percentage, at the meetings of the Appointment and Remuneration Committee held during the year.

% C and RC: indicates the presence of the Director, in percentage, at the meetings of the Control and Risk Committee held during the year.

% RPTC indicates the presence of the Director, in percentage, at the meetings of the Committee for related party transactions held during the year.

On April 26, 2019, the Board of Directors, after the Shareholders' Meeting, proceeded to appoint the members of the Board Committees.

In addition, in accordance with the Code of Conduct, on April 26, 2019 the Board of Directors appointed Mr. Mauro Melis as “Lead independent Director” to represent the non-executive Directors (and, in particular, the Independent Directors). This will allow them to make a greater contribution to the activity and workings of the Board itself.

The Lead independent Director will work with the Chairman to ensure that the Directors receive the necessary flows of information in a full and timely manner.

The Lead independent Director also has the power to convene, either independently

or on the request of the other Directors, specific meetings of Independent Directors to discuss issues of interest to the work of the Board of Directors or company management.

In relation to the business sector in which the Group operates, the characteristics of the periodic reports of the Board enable the Directors to obtain adequate knowledge of the sector, its business dynamics and their evolution, as well as the regulatory and self-regulatory framework of reference. Also during 2019 it has continued the practice of the presentation by the executive directors, the information on the business at the Board meetings of the examination of the financial statements.

3) Independent Directors

Art. 3 of the attached Code of Conduct of Sogefi S.p.A. lays down the criteria for a Director to qualify as Independent Director adopted by the Company in accordance with the recommendations of the Code of Conduct of Borsa Italiana S.p.A. and with the provisions of art. 147 ter, paragraph 4 of T.U.F.

Then for the companies listed at STAR segment, Borsa Italiana S.p.A. has defined in the Instructions to the Rules of the Markets organized and managed by Borsa Italiana S.p.A. the criteria for the evaluation of the adequacy of the number of the independent directors setting minimum two independent directors if the Board of Directors consists of up to eight members.

Currently, five of the Company's non-executive Directors have demonstrated quality as "Independent Directors".

The Board of Directors is called to assess the Directors' independence after appointment and, then, the occurrence of important circumstances susceptible to affect his/her independence, always on a yearly basis. The result of such evaluation is communicated to the market in the context of this Report as well as after the appointment, through a press release.

On April 26, 2019, the Board of Directors met immediately after the Shareholders meeting that resolved on its appointment, verified the persistence of the independence requirements in Independent Directors and duly reported this to the Market by means of a press release. As an exception to the provisions of the Code

of Conduct of Listed Companies (cf. application criteria 3.C.1., letter e), the independence of Director Ms Roberta Di Vieto was positively assessed, notwithstanding her persistence in charge as Director of the Company for more than nine years over the last twelve. This is due to the fact that such a temporal requirement, placing more emphasis on substance rather than form, is not deemed to influence the independence of this Director, who has always proved her full judgement autonomy and free appraisal of management work.

During 2019, the Board of Statutory Auditors ascertained the correct application of criteria and verification procedures adopted by the Board to assess the independence of its members, by making sure that the results of such verification were included in this Report.

The Independent Directors meet at least once a year without the other Directors.

During the consultation of end of 2019, the Independent Directors, without the other Directors, have reported that the Board self-assessment process has started and will meet again for an update upon conclusion of the same to analyze its results. In particular, Board self-assessment results (this year this activity was carried out by consultant “Russell Reynolds Associates”) were disclosed in February 2020 to the Lead independent director, who then shared them with the other Independent Directors and they have valued positively the level of information to the Board of Directors, from the point of view of quality, completeness and timeliness.

4) Establishment and Working of the Internal Committees of the Board of Directors (ex art. 123-bis, paragraph 2, letter d) T.U.F.)

The principles underpinning the institution and working of the Internal Committees of the Board of Directors are outlined in art. 4 of the attached Code of Conduct of Sogefi S.p.A.

Pursuant to the allowance of the Code of Conduct of Borsa Italiana S.p.A., the Company attributed the functions of the Appointment Committee to the Remuneration Committee, thus providing for a unique committee (Appointment and

Remuneration Committee) which contains adequate skills in financial and remuneration policy fields.

The Control and Risk Committee is set up so that at least one of its members has got an adequate experience in accounting, financial or risk management matters.

For the Committee for related party transactions, since its creation, the Board of Directors has established that the members shall coincide with the same as the Control and Risk Committee.

The President of each Board Committee informed about the meetings of each committee in the first useful meeting of the board of directors.

5) Appointment of Directors (ex art. 123-bis, paragraph 1, letter l), T.U.F.)

As mentioned under letter l) in section "Information on ownership structure" of this Report, the relevant information is provided in art. 5 of the attached Code of Conduct of Sogefi S.p.A. and in the articles of the Articles of Association reproduced therein.

The Appointment and Remuneration Committee consists of the following Independent Directors: Mr. Mauro Melis (President of the Committee), Mr. Ervino Riccobon and Mr. Christian Streiff.

As for the Directors appointment, the Appointment and Remuneration Committee accomplishes the tasks outlined in art. 5 of the attached Code of Conduct of Sogefi S.p.A..

The Board of Directors on October 23, 2012 adopted a plan for the succession of executive Directors, based on the preliminary activity carried out by the Appointment and Remuneration Committee. This succession plan provides for suitable mechanisms in case of early replacement compared to ordinary term of office and is reviewed every three years.

6) Directors' Remuneration

The guidelines on corporate remuneration policies are outlined in art. 6 of the attached Code of Conduct of Sogefi S.p.A.. The remuneration policy for the 2019 financial year that underwent consultative voting at the Shareholders' meeting on April 26, 2019, and dealt with in this article, is determined according to criteria suitable for attracting, retaining and motivating people with professional qualities suitable for successfully running the Group.

The remuneration attributed to the Chairman of the Board of Directors, as executive Director, and to the non-executive Directors, for their participation in one or more committees, is determined as a fixed sum based on the commitment which each of them is called upon to make.

With regard to remunerations, the Appointments and Remuneration Committee performs the tasks outlined in art. 6 of the Code of Conduct of Sogefi S.p.A.; it met four times in 2019, with an average duration of about forty minutes. Meetings were duly minuted.

At the proposal of the Appointment and Remuneration Committee, the Board of Directors approved, on February 25, 2019, the "Remuneration Policy of the Directors, General Manager and Managers having strategic responsibilities" for the year 2019 reported in the first section of the Remuneration Report. Such document was prepared in compliance with art. 84-quater of Consob Resolution 11971/99 and subject to the advisory vote with a positive outcome of the Shareholders Meeting held on April 26, 2019.

The remuneration for the year 2019 of each Director and Manager with strategic responsibilities is shown in the tables attached to the "Remuneration Report". This report is made available to the Shareholders Meeting called to approve the financial statements for 2019 (April 2020).

At the proposal of the Appointment and Remuneration Committee, the Board of Directors submitted for approval to the Shareholders' Meeting of April 26, 2019 a Stock Grant Plan for the year 2019, in compliance with the indications of art. 6 of

the Code of Conduct, in particular:

- the rights object of the Plan begin to be exercised every three months as and from the second year and three months from the grant date and for a period of nearly 2 years having an average vesting period substantially in line with the recommendation of the Code of Conduct of Borsa Italiana S.p.A. (three years);
- the exercising of a part of the granted rights is subject to the achievement of the performance targets correlated to stock market trends;
- a period of unavailability of a part of the assigned shares (10% of the total) is established for a period of 5 years from the grant date of the rights.

Terms, conditions and implementation procedures of the Stock Grant Plan for 2019, in favour of the employees of the Company and subsidiaries, are contained in the “Information Document” available on the Company’s website.

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7) Internal control and risks management system

The internal control and risks management system is comprised of the rules, procedures and organisational structures aimed at ensuring a healthy and proper business management that is consistent with the set corporate objectives, and that promotes aware decision-making by means of a suitable process for identifying, measuring, managing and monitoring key risks.

The purposes of the Internal Control and Risk Management System, its bodies and the positions responsible for it are outlined in art. 7 of the attached Code of Conduct of Sogefi S.p.A.. On October 23, 2012 (effective from January 1st, 2013), the Board of Directors adopted the guidelines for the Company's Internal Control and Risk Management System, as partially integrated and amended on July 22, 2019, which are reported in art. 7 of the Code of Conduct of Sogefi S.p.A..

In the field of the Internal Control and Risk Management System, the Board of Directors:

- a) identified the nature and the risk level compatible with strategic objectives;
- b) assessed the adequacy, efficacy and efficiency of the Control and Risk System

compared to the activity and the assumed risk profile, also considering the assessments of the Responsible Director and of the Control and Risk Committee;

- c) approved the Audit Plan proposed by Control and Risk Committee, after consultation of the Board of Statutory Auditors and the Responsible Director;
- d) evaluated the results exposed by the legal auditor in the report about the main issues emerged during the statutory audit, after consultation of the Board of Statutory Auditors.

In accordance with the resolution passed by the Board of Directors on March 6, 2001, the Chief Executive Officer is the executive director in charge of ensuring the adequacy and good functioning of the internal control system, establishing suitable procedures to guarantee proper, efficient operations and to identify, foresee and manage - as far as possible - risks of a financial and operational nature and cases of fraud against the Company.

The Control and Risks Committee was set up by a resolution of the Board of Directors dated April 18, 2000, to carry out advisory, propositional and monitoring functions on the Internal Control and Risk Management System operating according to the guidelines established in the Code of Conduct.

The Committee currently only consists of Independent Directors.

The Independent Directors Ms. Roberta Di Vieto (President of the Committee), Ms. Patrizia Canziani and Mr. Mauro Melis are members of the Committee.

During 2019, the Committee met eight times with an average duration of about two hours. Meetings were duly minuted.

The Committee's activity focused above all on checking the adequacy of the internal control system to cope with the typical risks of the Company's main activities and those of its subsidiaries, and to monitor the economic and financial situation.

In line with its advisory, propositional and monitoring functions, during 2019 the Control and Risks Committee developed the following activities:

- a) assessed, together with the Manager charged with preparing the company accounts and after consultation of the legal auditor and the Board of Statutory Auditors, the proper use of accounting principles and their homogeneity for drawing the statutory and consolidated financial statements and submitted the results of its assessment to the Board of Directors;
- b) expressed its opinion on specific aspects concerning the identification of the main corporate risks, especially on the determination, measurement, management and monitoring of the main corporate risks, relevant to the pursuit of strategic business objectives;
- c) examined the reports aimed at assessing the Internal Control and Risk Management System prepared by the Chief Audit Executive and communicated to the Board of Directors its assessments on the matter;
- d) monitored the autonomy, adequacy, efficacy and efficiency of the Internal Audit;
- e) reported to the Board of Directors, at least each semester, at the approval of the yearly and half-year financial reports, on the activity performed, as well as on the adequacy of the Internal Control and Risk Management System;
- f) supported the assessments and decisions of the Board of Directors regarding the management of risks resulting from prejudicial events that have come to the notice of the Board of Directors, with an appropriate investigation;
- g) examined the Audit Plan and proposed its adoption to the Board of Directors;
- h) carried out committee functions for related party transactions pursuant to the Company's procedure for related party transactions.

In compliance with the Company's Articles of association, the Board of Directors on July 26, 2007 nominated the Manager charged with preparing the company accounts pursuant to art. 154-bis T.U.F.

Since August 1, 2015 the Manager charged with preparing the company accounts is the Chief Financial Officer Mr. Yann Albrand, who has the requisites required by law having adequate experience in accounting and financial matters.

On October 23, 2012, with the aim to adapt to the provisions of the Code of Conduct of Borsa Italiana S.p.A., at the proposal of the Director responsible for the internal control and risk management system, with the previous approval of the Control and

Risk Committee and after consultation with the Statutory Board, the Board of Directors appointed Mr. Giorgio Imposimato as Head of Internal Audit, who reports hierarchically to the Board of Directors, through its Chairman.

Starting from January 2019, Sogefi S.p.A. deemed suitable - in line with corporate governance and risk management best practices - to set up a Group function dedicated to risk management, separate from the Internal audit function that, until the closing date of financial year 2018, has also been in charge of risk management tasks. On this topic, on January 7, 2019, Sogefi S.p.A. hired Ms Valentina Paduano as Group Chief Risk Officer.

This position not only confirms compliance with the requirements that had been already ensured so far but also mirrors the increasing effort of the Group towards an efficient implementation of the integrated risk management and internal control system.

8) Statutory Auditors (ex art. 123-bis, paragraph 2, letter d) T.U.F.)

The rules governing the appointment and working of Statutory Auditors are set forth by art. 26 of the Articles of Association, which is reported in art. 8 of the attached Code of Conduct of Sogefi S.p.A..

The Legislative Decree 39/2010 gives to the Board of Statutory Auditors the role of Internal Control and Audit Committee with the duty to supervise the process of financial information, on the effectiveness of the internal control system, of internal audit and of the risk management, on the annual statutory audit and of the consolidate accounts and on the independence of legal auditors.

Statutory Auditors are qualified as "independent" under the same criteria as apply to Directors. In 2019, the Board of Statutory Auditors verified compliance with the said criteria, ensuring that the results of this check were published in the present Report. As an exception to the provisions of the Code of Conduct for Listed Companies (cf. application criteria 3.C.1, letter e) the Board of Statutory Auditors has positively assessed the independence of the Acting Auditors Mr. Zingales and Mr. Leoni,

notwithstanding their persistence in office for more than nine years over the last twelve. Substance prevailed over form as required, therefore the Board analysed the concrete actual relations possibly entertained by Mr. Zingales and Mr. Leoni with the Company and the manner of exercise of their functions, characterized by full independence of judgement and free assessment in evaluating management performance, also taking into account the past experience in constant relationship held with the Company.

The Board of Statutory Auditors met 14 times during 2019; the average duration of the meetings was of about two hours. Meetings are duly minuted.

The Board of Statutory Auditors in office expires with the approval of the Financial Statement as at December 31, 2020 and it is composed as follows:

<i>Name</i>	<i>Office</i>	<i>Year of birth</i>	<i>In office from</i>	<i>In office until</i>	<i>List</i>	<i>Indep. CoC</i>	<i>% Att. BSA</i>	<i>No. of other positions</i>	<i>Date of first appointment</i>
Peron Sonia	Chairman	1970	23.4.2018	31.12.2020	m	X	100	2	23.4.2018
Leoni Giuseppe	Acting Auditor	1953	23.4.2018	31.12.2020	M	X	100	1	(*) 6.4.2006 (**) 18.9.2008
Zingales Riccardo	Acting Auditor	1960	23.4.2018	31.12.2020	M	X	100	2	11.4.2000
Allievi Anna Maria	Alternate Auditor	1965	23.4.2018	31.12.2020	M	X	-	3	20.4.2015
Girelli Mauro	Alternate Auditor	1957	23.4.2018	31.12.2020	M	X	-	1	05.2.1981
Barbieri Davide	Alternate Auditor	1984	23.4.2018	31.12.2020	m	X	-	3	23.4.2018

No. of the meetings of the Board of Statutory Auditors in the year: 14

(*) Date of appointment as Alternate Auditor.

(**) On September 18, 2008 Mr Leoni took over the position of Acting Auditor, following the resignation of an Acting Auditor.

Notes:

List: M/m: if the Statutory Auditor has been appointed from the list voted by the Majority or the minority.

Indep.: indicates if the Statutory Auditor can be qualified as independent according to the criteria stated in the Code of Conduct of Borsa Italiana S.p.A.

% Att. BSA: indicates the presence of the Statutory Auditor, in percentage term, to the meetings of the Board of Statutory Auditors' meetings.

Other positions: indicates the number of the offices as Director or as Statutory Auditor held in other

companies listed in organized market. In attached (A) the list of these offices.

For the appointment of Statutory Auditors by the Ordinary Shareholders Meeting held on April 23, 2018:

- the Chairman, Ms Peron, and Alternate Auditor Mr. Barbieri, have been indicated under the minority joint list submitted by institutional investors, holding, at the same date, 6.8633% of the share capital;
- the Acting Auditors, Mr. Zingales and Mr. Leoni, and the two Alternate Auditors Ms Allievi and Mr. Girelli, have been indicated under the majority list submitted by the shareholder CIR S.p.A. holding, at the same date, 55.328%.

The personal and professional characteristic of each Acting Auditor are in the curriculum vitae published on the Company's website.

9) Relations with the Shareholders_

The Company has always taken concrete steps to create and maintain a positive dialogue with its Shareholders and the market through various types of communication: presentation of Company and Group results at Shareholders meetings, meetings with financial analysts and institutional investors in Italy and abroad, publication of corporate documentation required by the regulations, presentations and press releases on the Company's website.

The Chief Financial Officer was appointed to be in charge of the Investor Relations function, to handle the flow of information prepared for shareholders, analysts and institutional investors, in compliance with the rules governing publication of the Company documents and information.

The responsibility of the function "Investor relations" has been undertaken starting from August 1, 2015 by Mr. Yann Albrand.

10) Shareholders Meetings (ex art. 123-bis, paragraph 2, letter c), T.U.F.)

The Company's policy is to use the Shareholders meetings as an opportunity to inform the Shareholders about the Company and the Group and their prospects, in

compliance with the regulations on "price sensitive" information.

All Directors and Statutory Auditors make every effort to attend Shareholders meetings, to the extent possible, especially those Directors who, because of their position, can make a particular contribution to the debate.

The procedures and terms for convening Meetings are set forth by art. 10 of the Articles of Association, which is reported in the attached Code of Conduct of Sogefi S.p.A.

The Shareholders Meeting of April 19, 2001, in line with the Code of Conduct, approved the Regulations for Shareholders meeting published on the Company's website (section Investor - Corporate Governance).

The Board of Directors places the proposals on the agenda of each Shareholders meeting, at the Shareholders disposal, in the terms described by the law, available also on the Company's website (section Investor – Shareholders' meetings).

11) Code of ethics (ex art. 123-bis, paragraph 2, letter a), T.U.F.)

On February 25, 2003 the Board of Directors approved the adoption of a Code of Ethics for Sogefi Group (subsequently updated) which defines, clearly and transparently, the values which the Group attains to in the pursuit of its targets and establishes principles of conduct binding upon the Directors, the employees and others persons having relations with the Group.

The "Code of Ethics" adopted by the Company, reviewed last time on February 26, 2018, may be viewed on the Company's website (section Investor – Corporate Governance).

12) Consolidated statement for the disclosure of non-financial information under Italian Legislative Decree 254/16

Italian Legislative Decree 254/2016 (implementing Directive 2014/95/EU) and Consob Regulation introduced the obligation for large-sized listed companies to also include a Statement for the disclosure of non-financial information in the annual

report on operations, to mention environmental, social, employee details, information on respect of human rights, fight against active and passive corruption and to describe the company management model, the policies in place and the key risks created or ran into by the Group consistently with its business model and to the extent required to provide an understanding of business performance, its results, situation and impact of its activities. The aforementioned decree provided that the Statement must also be presented in a separate Report from the Report on operations and must identify materiality criteria.

Despite being included in the Consolidated statement for the disclosure of non-financial information of CIR S.p.A., Group financial holding that exercises direction and coordination activities on the Issuer, Sogefi decided not to rely on exoneration under art. 6, par. 2 letter a) of Italian Legislative Decree 254/2016 and to prepare (since financial year 2017, published in 2018) its own consolidated statement for the disclosure of non-financial information under said Decree (under the format of a “Sustainability Report”), in order to ensure the most transparency to market and its stakeholders.

The Company, also with reference to FY 2019, complied with its obligations by drafting a document called “Consolidated non-financial statement 2019” prepared under articles 3 and 4 of Italian Legislative Decree 254/2016 and the GRI Standards released by Global Reporting Initiative in 2016 as later amended” (to continue the practice of the Sustainability Report drafted for FY 2015 and 2016) containing all consolidated information under Italian Legislative Decree 254/2016.

The “Consolidated non-financial statement” for FY 2019 is approved by the Board of Directors at the same time as the draft Financial Statements as at December 31, 2019 and is made available to Shareholders as required by law. The Report will be also available on the Company web site (www.sogefigroup.com; section “The Group–Sustainability”).

13) Institution of the Supervisory Body and application of the Model of organization as per the Legislative Decree 231/2001 (ex art. 123-bis, paragraph

2, letter a) T.U.F.)

Legislative Decree 231/2001 (hereinafter, the “Decree”) on “The administrative responsibility of corporations, companies and non-incorporated associations, enacting art. 11 of Law no. 300 of September 29, 2000”, and further modifications and integrations introduced administrative liability for companies in the event of crimes intentionally committed by persons holding positions of responsibility within the company in the interests, or to the benefit of the same.

The Decree provides that the Company can be out of its responsibility if it proves to have adopted and efficiently carried out models of organization able to prevent penal illicit and to have entrusted a Supervisory Body in charge to supervise operating and observance of the model and to follow its updating.

To this end, the Board of Directors, further to the adoption in 2003 of the Code of Ethics, on February 26, 2004 approved the Organization, Management and Control Model pursuant to Legislative Decree 231 of June 8, 2001” (Organizational Model), later updated to consider the other crimes included in the Decree and as last amended by the Board of Directors of Sogefi S.p.A. on October 22, 2018.

The members of the Supervisory Body (appointed on April 26, 2019) are: Mr. Giuseppe Bianchi, Mr. Andrea Gottardo, Mr. Vittorio Gennaro.

During 2019 the Supervisory Body, which held 5 meetings duly minuted, supervised the working of the Organizational Model also by means of audits on sensitive activities, with the support of the Internal Audit function; it also supervised Organizational Model suitability and update.

14) Independent Auditors

The Shareholders Meeting of April 26, 2017 approved the mutually agreed termination of the statutory auditors mandate granted on 2010 to Deloitte & Touche S.p.A. and granted to KPMG S.p.A. the mandate to audit, for the accounts over 2017-2025, the statutory financial statements, the consolidated financial statements, the half yearly report and to ensure accounts were properly kept.

15) Remarks on the letter of the Italian Corporate Governance Committee Chairman dated December 19, 2019.

The Company points out it positively welcomed the invitation in the letter of the Italian Corporate Governance Committee Chairman dated December 19, 2019, and therefore presented its contents and recommendations to the Control and Risk Committee, that met on February 17, 2020 in the presence of the Chairman of the Board of Auditors, to the Appointment and Remuneration Committee on February 24, 2020, and to the Board of Directors during the meeting held on February 24, 2020, respectively.

On the occasion of said meeting, considering the contents and arguments of this Report concerning the focus topics of the Italian Corporate Governance Committee as detailed in the above-mentioned letter dated December 19, 2019, the Board of Directors confirmed its commitment to ensuring a suitable quality of governance practice, in compliance with the principles of the Code of Conduct.

In particular, concerning the specific Recommendations of the Committee for 2020 referred to in the above-mentioned letter of the Italian Corporate Governance Committee, the following should be noted.

With regard to sustainability, it should be noted that this issue is an integral part of the Group's strategy as a key success factor for the creation of value for all shareholders and stakeholders.

Through the Non-Financial Report, prepared pursuant to Italian Legislative Decree 254/2016, the Company provides complete and transparent information to the market on the main sustainability objectives, indicators and initiatives carried out by the Group, highlighting a growing awareness and corporate culture towards sustainable business activities.

The Company welcomes the Recommendation on Sustainability by the Italian Corporate Governance Committee and confirms its focus on the issue with a view to further improvement.

With regard to the quality of the information provided to the Board of Directors, the Company confirms its commitment to ensuring adequate management of information flows to the Board of Directors in terms of both documentation and

timing of the provision of information. This attention is confirmed by the analysis of the self-assessment results (Board review carried out by Consultant Russell Reynolds) and by the assessments of the Independent Directors.

With regard to the independence criteria, it should be noted that most of the members of the Board of Directors of the Company are Independent Directors (5 members out of a total of 8) whose powers have been acknowledged to be adequate in relation to the size of the Board and the activity carried out by the Company, during the self-assessment process for the 2019 financial year.

The Company, in application of the relevant regulations, assesses on an annual basis whether the independence requirement continues to apply to its members who qualify as such, taking into account the substance rather than the form, i.e. specifically assessing, with regard to the individual and concrete case, the elements underlying this independence assessment.

The Company provides the market with transparent information on the verification of independence requirements, highlighting the criteria adopted and the specific motivations underlying this assessment.

Finally, with regard to the adequacy of the remuneration of non-executive directors and members of the control body, the Company, in application of its Remuneration Policy and in accordance with the relevant procedures, determines the remuneration of Directors and Statutory Auditors in accordance with current regulations, taking into account the commitment required of them to perform their duties.

ANNEXES

ANNEX A)

List of offices held by Directors and Statutory Auditors of Sogefi S.p.A. as at
December 31, 2019

ANNEX B)

Code of Conduct of Sogefi S.p.A. (as last amended by the Board on February
24, 2020)

ANNEX A)

List of offices held by Directors of Sogefi S.p.A. in other companies listed on regulated markets, in financial, insurance, bank companies and in companies not listed but of relevant importance as at December 31, 2019

Monica Mondardini	Managing Director of CIR S.p.A.(*), Vice-Chairman of GEDI Gruppo Editoriale S.p.A., Director of Crédit Agricole S.A. and Kos S.p.A.(*)
Rodolfo De Benedetti	Chairman of Cofide S.p.A.(*) and CIR S.p.A.(*) Director of GEDI Gruppo Editoriale S.p.A., Decalia Asset Management S.A., AON Italia and V-P Decalia Asset Management SIM S.p.A.
Roberta Di Vieto	Acting Statutory Auditor of Shell Energy Italia S.r.l., Ermenegildo Zegna Holditalia S.p.A. and Infineum Italia S.r.l.
Mauro Melis	Managing Director of Istituto Europeo di Oncologia S.r.l. and Centro Cardiologico Fondazione Monzino S.p.A.

List of charges of Directors and Statutory Auditors held by Acting Auditors and Alternate Auditors of Sogefi S.p.A. in other companies listed on Italian regulated markets stock exchange as at December 31, 2019

Sonia Peron	Alternate Auditor of doBank S.p.A. and Isagro S.p.A.
Riccardo Zingales	President of the Board of Statutory Auditor of Cofide S.p.A.(*), and Acting Statutory Auditor of CIR S.p.A.(*)
Giuseppe Leoni	President of the Board of Statutory Auditor of Be Think, Solve, Execute S.p.A.
Anna Maria Allievi	President of the Board of Statutory Auditor of Credito Emiliano S.p.A. and IGD SIIQ S.p.A., Acting Statutory Auditor of CIR S.p.A. (*)
Mauro Girelli	Alternate Statutory Auditor of Piaggio & C. S.p.A.
Davide Barbieri	President of the Board of Statutory Auditor of Danieli & C. Officine Meccaniche S.p.A., Alternate Auditor of Aquafil S.p.A. and Uni Euro S.p.A.

(*) companies of the CIR/Cofide Group

We would like to point out that the merger by incorporation of CIR S.p.A. in COFIDE S.p.A. (as a result of which, COFIDE changed name into “CIR S.p.A. – Compagnie Industriali Riunite”) with the corresponding adjustment of the statement

on direction and coordination under art. 2497-bis of the Italian Civil Code became effective on February 19, 2020.

ANNEX B)

CODE OF CONDUCT OF SOGEFI S.p.A.

FOREWORD

The Code of Conduct of SOGEFI S.p.A. (hereinafter "SOGEFI" or the "Company") contains a description of the main duties and functions of the corporate bodies and of the internal control and risk management system of the Company.

The description of these duties and functions is carried out in a structured way in a single document in which it is possible to find not only content but also specific reference to the applicable regulatory environment: the provisions of the law and of regulations, the terms of the Company Articles of Association, and the principles of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. with which the Company complies.

On this subject at the Board of Directors Meeting held on October 23, 2012, following the new rules of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. introduced in December 2011, the Company updated its own corporate governance and approved internal procedures as indicated in the Code.

In order to incorporate the changes introduced from time to time in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., the Board of Directors has subsequently updated the Code of Conduct of the Company.

Art. 1 - Role of the Board of Directors

Below are the provisions of the **Articles of Association** on the subject of the **role of the Board of Directors**

ARTICLE 18

1. The Board of Directors appoints a Chairman from among its members; it may also appoint a Deputy Chairman who replaces the Chairman in the event of absence or impediment.
2. The Board may appoint a Secretary who need not be a Director.

ARTICLE 19

1. The Board meets at the registered offices or elsewhere when called by the Chairman or his deputy; meetings are usually held every three months and, in any event, whenever necessary in the interests of the Company or when requested by two Directors.
2. Board meetings may also be called by the Board of Statutory Auditors or by at least one of its members, after informing the Chairman of the Board of Directors.
3. Meetings are called by registered letter, telegram, fax or e-mail received at least five days prior to the date fixed for the meeting or, in urgent cases, at least one day beforehand.
4. Board meetings and their resolutions remain valid when held by telephone or videoconference call, even without formal convocation, provided they are attended by a majority of the current Directors and Acting Statutory Auditors, all those having rights to participate having been informed in advance of the meeting and sufficiently informed on the matters for discussion.

ARTICLE 20

1. Resolutions adopted by the Board of Directors are valid if a majority of the current members are present.
2. Resolutions are adopted by a majority vote of those present in the respect of the Procedure for related party transactions. In the case of a tie, the vote of the Chairman or the chairman of the meeting shall prevail.
3. Meetings of the Board of Directors may be held by telephone conference call on condition that all the participants can be identified and that they are able to follow the proceedings, take part in real time in discussions about the matters on the agenda, and receive, transmit or examine documentation.
4. In such circumstances, the meeting is deemed to be held at the location where both the Chairman and the Secretary are present. The Secretary prepares the minutes which are then signed by both of them.

ARTICLE 21

1. The Directors report to the Board of Directors and the Board of Statutory Auditors on a timely basis about their activities and the principal transactions carried out by the Company, as required by law.
2. Such reports are made verbally at least every quarter during Board or Executive Committee meetings, or by written and/or verbal and/or telephone communications to the Chairman of the Board of Statutory Auditors, if particular requirements for timeliness make this preferable.
3. The Directors must inform the other Directors and the Board of Statutory Auditors of all interests they may have in a given transaction, whether personally or on behalf of third parties, as required by current legislation.

ARTICLE 23

1. The Board of Directors exercises the widest powers of ordinary and extraordinary administration, without any exceptions, and has the power to perform all the acts deemed appropriate in carrying out all the activities comprising or instrumental to the achievement of the corporate objects, except for those powers which the law or these By-laws reserve specifically for the Shareholders in General Meeting.
2. Accordingly, the Board of Directors may resolve to reduce share capital in the case of withdrawal by Shareholders, to amend the By-laws in order to comply with compulsory legislation, to transfer the registered offices within Italy, and to absorb subsidiaries that are wholly owned or whose capital is at least 90% (ninety per cent) owned, in compliance with arts. 2505 and 2505bis of the Italian Civil Code.

ARTICLE 24

1. The Board of Directors may appoint one or more Managing Directors from among its number and, within the requirements of law, determine their duties and emoluments.
2. The Board may also appoint an Executive Committee comprising a number of its members and, within the requirements of law, determine its functions. Unless otherwise established at the time of appointment, the activities of the Executive Committee are governed by the regulations applying to the Board of Directors.
3. The Board of Directors may appoint general managers, providing they satisfy the legal criteria of respectability, who may also be members of the Board. Failure to meet the criteria of respectability will mean disqualification from the post.
4. The Board may also appoint special representatives to carry out specific duties or categories of duty.
5. The Board may create from within its membership advisory and working

- committees on specific issues, and determine their scope and powers.
6. The Board of Directors, on the proposal of the Managing Director and in concert with the Chairman, subject to the opinion of the Board of Statutory Auditors, appoints the manager charged with preparing the company accounts, who must have adequate accounting and financial experience.
 7. The Board of Directors must also ensure that the manager charged with preparing the company accounts has the powers and means necessary to carry out these duties and equally ensure effective observance of the proper administrative and accounting procedures.

In application of the provisions of art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., the Board of Directors:

- on the basis of the internal procedures duly approved by the Board of Directors will examine and approve the strategic, industrial and financial plans of the Company and of the Group by checking their implementation on a regular basis. The procedures stipulate that the budgets prepared by each company of the Group and the business plans prepared by the Company and by the divisional general managers should be the subject of discussion with the Chief Executive Officer of SOGEFI before to submit it to the Board of Directors of the Company scheduled within the end of January;
- defines the nature and the risk level compatible with the strategic objectives of the Company, including in its evaluation all the risks that may prove to be significant in relation to the sustainability of the issuer's activities in the medium-long term, as illustrated in Art. 7 below, taking into account in terms of possible impact of the main risks relating to the businesses of the subsidiaries. The Company carries out a global risk assessment every year when the budget is approved;
- assesses the adequacy of the organisational, administrative and accounting structure of the Company, as well as the one of the strategic subsidiaries, in particular referring to the internal control and risk management system;
- defines the intervals, usually quarterly, at which the Managing Director must report to the Board the activities that have been carried out in the execution of the assigned powers, under the provisions of the Company Bylaws;

- assesses the management performances by taking into account especially the information received by the Managing Director;
- examines and approves beforehand the transactions of the Company and examines the ones of its subsidiaries with a significant strategic importance. To this end, the Board of Directors defines the corresponding parameters of importance, by adopting an ad hoc procedure;
- performs, at least once a year, an assessment on the size, composition and working of the Board itself and its committees, also taking into account the elements such as professional, practical and managerial characteristics, gender and office seniority. If the Board of Directors of the Company relies on the services of external consultants for self-assessment purposes, the Report on Corporate Governance provides information on the identity of such consultants and on any further services they provide to the Company or to companies in a controlling relationship with it;
- can express to the Shareholders, before the appointment of the new Board, its opinions on the professional functions that are deemed to be necessary inside the Board;
- in order to ensure the correct management of corporate information the Board of Directors adopts a procedure for internal management and external communication of documents and information about the Company, especially referring to privileged information, which is available on the Company's website;
- gives information in the Report on Corporate Governance on its composition and on the times and procedures for holding its meetings and on the self-assessment process.

The directors act and decide autonomously and with full knowledge of the facts, they accept their mandate as they deem they can dedicate the due time to the diligent execution of their tasks, even considering the commitment related to their professional and working activities, the number of director or statutory auditor offices they hold in other companies listed in regulated markets (including foreign markets), in financial companies, banks, insurances or companies that have

considerable size. They are also required to inform the Board of Directors of any other activities they may have in competition with the Company, as well as any significant modification in the position they hold in other companies.

Still in application of the terms of Art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. the Board of Directors has approved the following:

Guidance regarding the maximum number of positions as director or statutory auditor in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance companies or companies of a significant size (“Significant Companies”):

a) General criteria for evaluation

1. Exclude the possibility that an executive director of SOGEFI can take on other positions as executive director or statutory auditor in Significant Companies not belonging to the CIR group or to the group of its parent companies;
2. For the executive directors of SOGEFI, possibility of holding other positions with a maximum limit of three as non-executive director in Significant Companies not belonging to the CIR group or to the group of its parent companies;
3. For the non-executive directors of SOGEFI, possibility of holding other positions with a maximum limit of five as non-executive director and/or statutory auditor and two as executive director in Significant Companies not belonging to the CIR group or to the group of its parent companies;
4. Positions held in Significant Companies belonging to the same group will count as a single position (and that single position will be considered as that of an executive director for the purposes of the calculation of the limits, if at least one of the positions held in the same group is as executive director);
5. “Companies of a significant size” means companies that exceed at least one of the following limits: revenues of over Euro 500 million, total assets of over Euro 1,000 million, over 2,000 employees.
6. “Financial companies” means only those companies that exercise the business of supplying financial services to the public, and which are subject to supervision.

b) Possible waiver of the general criteria

The general criteria described above can always be waived in relation to one or more directors with a resolution taken by the Board of Directors giving the reasons for the waiver. In deciding on the waiver the Board of Directors may also

take into account the director's attendance record at SOGEFI board meetings and committee meetings.

It should also be noted that the Board of Directors assesses the independence of its Directors at least once a year, taking into account the information that the individuals involved are required to produce. While the terms of Art. 147-ter, paragraph 4, of the Finance Consolidation Act (T.U.F.) remain applicable, the Company intends to introduce the obligation for any Director who has lost the qualification of independence as per the terms of the Code of Conduct (Criteria 3.C.1) to resign his or her position, without prejudice for the right of the Board of Directors to evaluate each specific case possibly allowing waivers to the rules.

Information will be given of any waivers of the above approved by the Board of Directors in the Annual Report on Corporate Governance.

Below is what the **Articles of Association** stipulate on the subject of the **Chairman of the Board of Directors**

ARTICLE 25

The legal representative of the Company in dealings with third parties and in judgement at all levels is the Chairman of the Board of Directors and, separately, the Deputy Chairman, the Managing Directors and the General Managers, to the extent of the powers conferred on them.

In application of what is stated in Art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. the Chairman of the Board of Directors:

- calls Board meetings and makes sure all of its members – and the Statutory Auditors - are provided with the necessary documentation and information at least three days before the meeting (except in an emergency) to gain a background knowledge of the issues on the agenda so that the Directors can express an opinion and approval; if the documentation is voluminous or complex, it can be supplemented with a summary document. Where, in specific cases, it is not possible to provide necessary information well in advance, the Chairman ensures that appropriate and precise investigations are carried out during Board sessions;
- co-ordinates the activities of the Board and runs the meetings, ensuring that

- the items on the agenda receive sufficient time necessary for a debate and encouraging the directors to make their contribution;
- ensures that the Directors and Statutory Auditors, following their appointment and during their mandate, can take part in initiatives in the most appropriate formats, aimed at giving them an adequate knowledge of the business sector in which the Company operates, of the Company dynamics and the evolution thereof, of the principles of correct risk management, as well as of the relevant regulatory environment and the internal rules on the subject;
 - the Chairman may ask to the Managing Director, even at the request of one or more Directors, that the managers of the Company and the ones of the companies of the Group participate in Board meetings in order to provide the due insight.

Art. 2 – Composition of the Board of Directors

The Board of Directors is made up of executive and non-executive Directors who have adequate competence and professionalism.

The non-executive Directors bring their specific competences to the Board discussions, contributing to the adoption of judicious decisions and paying particular attention to the areas in which conflicts of interest can emerge.

The composition of the Board of Directors of the Company – even in relation to number, competence, authoritativeness and availability of time that the non-executive Directors – must be suitable to ensure conditions of managerial autonomy and hence maximization of economic and financial objectives of the Company.

The composition of the Board of Directors also respects the balance between the genders prescribed by current legislation and by Art. 17 of the Company Articles of Association reproduced further on.

The Company complies with the so called ban on interlocking directorates, which was introduced by Art. 2 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., i.e. the principle that the chief executive officer of an issuer cannot take a position as

director of another issuer not belonging to the same group, in which a director of the issuer is chief executive officer.

The Directors are expected to know their duties and the responsibilities inherent in the position.

The Chairman makes sure that the Directors and Statutory Auditors, following their appointment and during their mandate, can take part in initiatives in the most appropriate formats, aimed at giving them an adequate knowledge of the business sector in which the Company operates, of the Company dynamics and the evolution thereof, of the principles of correct risk management, as well as of the relevant regulatory environment and the internal rules on the subject. As far as information on the business sectors is concerned, the Managing Director gives a briefing on the performance of the business at the meetings of the Board of Directors that examines the periodically financial reports.

In relation to the regulatory environment, special information sessions may be organized for the Directors with the support of professional training experts when the Board of Directors is renewed and, subsequently, any time that changes in the regulatory framework make an update on the subject appropriate.

The Board of Directors designates a lead independent director. The lead independent Director is a point of reference who coordinates the requests and the contributions of the non-executive Directors, particularly the independent Directors. He or she collaborates with the Chairman to guarantee that the Directors receive full information flows on a timely basis. Among other things the Lead Independent Director, either independently or at the request of other Directors, also has the right to call a meeting of just the independent Directors to discuss topics considered of interest to the running of the Board of Directors or the management of the Company.

With reference to the possibility that issuers adopt mechanisms to ensure the maturity split of all or part of the members of the administrative body (the so-called

staggered board), the Company has decided not to adopt this provision, as unsuitable to the particular ownership structure of SOGEFI.

Art. 3 - Independent Directors

In compliance with the terms of the Market Regulation adopted by Consob, Independent Directors represent the majority of the members of the Board of Directors.

In accordance with what is recommended by the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. "Independent Directors" are considered as those directors:

- a) do not control directly nor indirectly, even through its subsidiaries, fiduciaries or on behalf of third parties, the Company either do not exercise on it considerable influence or do not participate to a parasocial agreement through someone that could exercise the control or the significant influence of the Company;
- b) are not nor have not been in the three previous years, prominent exponent of the Company, of one subsidiary having strategic relevance or of a Company subjected to a common control with the Company or of a company or corporation that even with others through a parasocial agreement controls the Company or can exercise on it a significant influence;
- c) have not or have not had in the last year directly nor indirectly (for example through subsidiaries or through companies where he is prominent exponent, or as a partner of a professional office or of a consultant company) a relevant commercial, financial or professional relationship;
 - with the Company or a subsidiary or with anyone related to the prominent exponents;
 - with someone who even together with others through a parasocial agreement, controls the Company or – being company or corporation – with the related prominent exponent;or have not or have not been in the previous three years, employees of one of the above mentioned subjects;

- d) do not receive or have not received in the previous three years, from the Company or from a subsidiary or parent company any relevant remuneration in addition to a fixed fee as non-executive Director of the Company and to the compensation for the participation to the committees as recommended by the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., included the participation in performance-related incentive plans, even to a share basis;
- e) have not been Directors of the Company for more than 9 years in the last 12 years;
- f) they are not executive Directors in another company in which one executive Director of the Company is Director;
- g) they are not Shareholders or Directors of a company or of a corporation belonging to the net of the company responsible of the accounts legal auditing of the Company;
- h) they are not close family members of a person who is in the situations described in the previous points.

Where some of the above mentioned circumstances foreseen by the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. might preclude the independence of non-executive Directors, the Board of Directors in each case must assess whether or not the individual satisfies the minimum requisites for independent director.

On the basis of paragraph 4, Art. 147-*ter* of the T.U.F., at least one member of the Board of Directors, or two if the Board of Directors has more than seven members, must have the requisites of independence established for statutory auditors and therefore in accordance with the terms of paragraph 3, Art. 148 of the T.U.F., the following individuals cannot be considered as independent:

- a) the consort, the relatives within the fourth rank of the Directors of the Company, the Directors, the consort and the relatives within the fourth rank of the Directors of the subsidiaries, of the parent companies and of the companies under common control;
- b) the one who are related to the Company or to the subsidiaries or to the parent companies or to the under common control companies or to the Company

Directors and to the persons as described in previous point a) subjected to relationship of self-employment work or subordinate work or from other relations of property which could threaten the independence.

Then, the Company meets the criteria for the evaluation of the adequacy of the number of the independent directors set by Borsa Italiana S.p.A. for the companies listed at STAR segment.

The Board of Directors is asked to value the independence of the Directors after appointment and, then, on a yearly basis. The result of such evaluation is communicated to the market in the context of the Report on Corporate Governance.

Art. 4 - Establishment and Working of the Internal Committees of the Board of Directors

The Board of Directors sets up from among its members one or more committees, the function of which is to make proposals and give advice, defining their duties and approves the respective regulation.

The committees consist at least of three members, being all independent, and the works are coordinated by a President. The meetings of each committee are minuted and the Chairman of each committee reports back on the same at the first Board of Directors Meeting.

The Committee Regulations foresees that the Chairman of the Statutory Auditors Board or another statutory auditor he identified must take part to these committee meetings.

The President can, if he or she feels it is necessary, invite any other individuals not on the committees whose presence could be useful for the proceedings of the meeting.

For organizational reasons the functions of the Appointments Committee and those of the Remuneration Committee are combined in a single committee, called the Appointments and Remuneration Committee, whose members must include profiles with adequate skills in financial or remuneration policy fields.

The Control and Risk Committee, of which at least one member must have adequate experience in accounting and finance or risk management, as well as

advising, making proposals and monitoring the Control and Risk System, also carries out the function of Committee for Related Party Transactions in accordance with the Rules for Related Party Transactions.

The duties assigned to the individual Committees of the Board of Directors are illustrated in the following articles.

Art. 5 – Appointment of Directors

Below are the terms of the **Articles of Association** on the subject of the **appointment of Directors**

ARTICLE 17

1. The Company is administered by a Board of Directors comprised of between five and fifteen members, even not necessarily shareholders. They are appointed by the General Meeting of Shareholders for a fixed term which may not exceed three years, and are eligible for re-election.
2. The General Meeting also determines the number of Board members, which remains fixed unless altered by further deliberation of the Meeting.
3. Minority Shareholders have the right to appoint one member of the Board of Directors.
4. The Board members are appointed by the General Meeting from lists presented by the Shareholders. Candidates are listed in numerical order. The lists, signed by the presenting Shareholders, must be filed according to the terms and conditions required by the enforceable law.
5. List may only be presented by Shareholders who, either individually or jointly with others, hold shares that represent at least a fortieth of the share capital, or a different percentage laid down by the law or regulations. Proof of ownership of the required number of shares must be presented according to the terms and conditions required by the enforceable law.
6. Lists which include a number of candidates equal to or higher than three must include candidates belonging to both genders, in at least the proportion specified in current legislation on the subject of gender balancing.
7. Lists which fail to comply with the above rules shall be considered inadmissible.
8. No Shareholder may present or contribute to the presentation of more than one list, even via an intermediary or trustee. Shareholders subject to the same control pursuant to art. 93 of the Consolidated Securities Act or belonging to the same voting syndicate may present or contribute to the presentation of only one list.

9. Each Shareholder can vote for just one list.
10. Each candidate may stand in one list only, on pain of disqualification.
11. Each list filed by the required date must be accompanied by statements from each candidate accepting their nomination and declaring, under their own responsibility, that there are no reason of incompatibility or ineligibility regarding their candidature and that they meet the requirements laid down in the law and current regulations for the position of Board member. Candidates must also provide a curriculum vitae describing their personal and professional qualifications specifying any position as director or statutory auditor they might hold in other companies and whether they satisfy the requirements for the position of independent director under the law and current regulations.
12. Incompleteness or irregularity of any candidature shall mean disqualification of the candidate's name from the voting list.
13. For the nomination to go forward, the lists presented and submitted for voting must obtain at least half the percentage of votes required under this Article for the presentation of the lists themselves. Lists which do not meet this condition shall be considered null and void.
14. Members of the Board of Directors are elected as follows:
 - a) from the list which obtained the highest number of votes during the Meeting, as many directors as required to make up the Board minus one are taken in the numerical order in which they were listed;
 - b) from the list which obtained the second highest number of votes during the Meeting, and which is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list, the candidate at the top of this second list is nominated as the final board member.
15. When application of the procedure described in a) and b) above does not give the gender balance required by current legislation, the last director elected from the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list belonging to the less represented gender. Otherwise, the Shareholders' Meeting shall make up the number of the administrative body with the majorities required by law, ensuring compliance with the terms of the law.
16. All elected Directors must meet the criteria of respectability and professional conduct laid down in the current regulations. Failure to meet these criteria will mean disqualification from the position.
17. If only one list is presented or admitted, all Directors are appointed from that list.
18. If no list is presented or the number of Directors appointed is smaller than the minimum required by the Shareholders, the General Meeting must be reconvened to elect a full Board of Directors.
19. If as a result of resignations or for other reasons one or more

Directors ceases to serve, they are replaced in accordance with art. 2386 of the Civil Code, in compliance with the applicable requisites.

In application of what is stated in Art. 5 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. and in the Rules of the Appointment and Remuneration Committee approved by the Board of Directors, in relation to the appointment of the Directors, the Committee carries out the following functions:

- it proposes to the Board of Directors director candidates, if an independent director is to be replaced pursuant to art. 2386, first paragraph of the Italian Civil Code;
- it expresses its opinions to the Board of Directors on the maximum number of positions of director or statutory auditor that the Directors of the Company can hold in other companies listed in regulated markets (even abroad), in financial companies, insurances or companies that have considerable size, by considering the directors participation to the Board internal committees;
- it expresses its opinions to the Board of Directors on its dimension and composition, as well as, if necessary, on the professionals whose presence inside the Board is deemed to be convenient.

The Succession Plan for Executive Directors is approved by the Board of Directors on the basis of the investigatory activity carried out by the Appointment and Remuneration Committee. The Plan should give a clear definition of the objectives, instruments and timing of the process, should have the involvement of the Board of Directors and a clear allocation of competences, even with regard to the preliminary stage of the procedure.

Art. 6 - Remuneration of Directors

The remuneration policies are aimed at guaranteeing competitiveness in the labor market, in line with the objectives of growth and rewarding the loyalty of human resources, as well as using different instruments of Remuneration for different types of professionalism and competences.

The Company aims to keep remuneration aligned with market benchmarks, applying bonus Remuneration criteria in particular situations of merit.

Pursuant to the law, the Ordinary Shareholders meeting determines the remuneration to the Directors for the office.

The Board of Directors determines the remuneration of the non-executives Directors for their participation in one or more committees or for the possible assignment of specific tasks.

The remuneration of Directors appointed to particular positions, in accordance with the Company's Articles of association, is decided by the Board of Directors on the proposal of the Appointment and Remuneration Committee, after obtaining the opinion of the Board of Statutory Auditors, according to the guidelines fixed on the remuneration policy.

The Board of Directors, on the proposal of the Appointment and Remuneration Committee, defines the remuneration policy for Directors and Managers having strategic responsibilities.

In application of principle 6.P.5. of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., when the position of an executive Director or a General Manager is terminated, the Company, after following internal processes leading to the assignment or recognition of compensation and/or other benefits, give full details on this in a press release to the market.

In the preparation of any share-based compensation plans, the Board of Directors ensures that the criteria stipulated in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. are observed.

In application of what is stated in Art. 6 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. and in the Rules of the Appointment and Remuneration Committee approved by the Board of Directors, in relation to compensation, the Committee carries out the following functions:

- it submits to the Board of Directors the proposals concerning the remuneration policies for Directors and Managers having strategic responsibilities;
- it expresses its opinions together with the Control and Risk Committee on the

- proposals relating to the remuneration policies of the head for internal auditing and the Manager charged with preparing the company accounts;
- it makes proposals for the remuneration of the Managing Director and of directors with special duties, which may include remuneration plans that provide for the granting of stock options or other share-based incentives;
 - generally makes proposals to the Board of Directors regarding the characteristics of compensation plans based on financial instruments;
 - it periodically assesses the adequacy, coherence and practical application of the remuneration policy for directors and managers having strategic responsibilities.

Art. 7 - Internal Control and Risk Management System

The Board of Directors approves the general principles of the internal control and risk management system.

In particular, the Board of Directors held on October 23, 2012 adopted, effective from January 1, 2013, its *Guidelines on the internal control and risk management system* as partially integrated and amended on July 22, 2019.

This document illustrates the general principles on which the design, implementation and management of the Internal Control and Risk Management System (the "SCIEGR") is based, as well as the related governance model, the frequency and type of risk analysis and the related information flows between the various players and bodies involved.

In particular, the above-mentioned Guidelines include the following sections:

- A) Key principles of the SCIEGR;
- B) Enterprise Risk Management Process;
- C) Governance of the SCIEGR.

a) Key principles of the Internal Control and Risk Management System

The SCIEGR is the set of rules, procedures and organisational structures aimed at allowing - through an adequate identification, measurement, management and

monitoring process of the main risks - a healthy, correct and coherent business management in line with the established corporate goals, as well as at promoting conscious decision-making.

The SCIEGR is implemented through the complex set of rules of conduct including the Code of Ethics, the Group Accounting Manual, the Organisational Model pursuant to Legislative Decree 231/2001, the ERM Policy, etc., procedures and organisational provisions produced and disseminated by the Group, as well as through periodic internal and external auditing processes.

The SCIEGR applies to the issuing company, Sogefi S.p.A., and to all the Group's subsidiaries. It is integrated into the company processes and is intended to provide a suitable structure for pursuing the Group's medium/long-term objectives, by promptly tackling internal and external dynamics that could jeopardise their achievement and thus ensuring the sustainability of the business over time.

The SCIEGR and the related governance model described in these Guidelines have been defined in line with the principle of the three levels of control:

- Level 1 - Line management: the operational functions within Group companies, each within the scope of its activities and areas of competence, are responsible for the daily management of business risks, and are therefore the main players involved in the identification, assessment and management of risks (the so-called Risk owners), according to the ERM methodology defined by the Group;
- Level 2 - Chief Risk Officer: s/he is responsible for facilitating the ERM process within the Group and, namely: (i) directing and supervising risk assessment activities, (ii) ensuring the correct application of the defined ERM methodology and, (iii) periodically reporting the results of risk management activities to Top and Senior Management and company top bodies (including the Board of Directors and any committees appointed within the Board);
- Level 3 - Chief Audit Executive: s/he is responsible, as an independent and autonomous function, for verifying the effectiveness of the SCIEGR and providing reasonable assurance that the company processes are carried out in accordance with the defined company policies and procedures.

b) Enterprise Risk Management Process

As part of risk management, starting in 2012 and with a subsequent review in 2019, the Group has set up a dynamic Enterprise Risk Management (ERM) process which supports the main corporate decision-making processes and aims

to identify, analyse, measure and assess risk situations or events that could compromise the achievement of the Sogefi Group's strategic objectives and priorities. This process, developed in line with national and international models and best practices - including the Code of Conduct for Italian Listed Companies and COSO ERM1 - enables the Board of Directors and Top and Senior Management to assess the most effective approach in an aware and systematic manner, so as to anticipate, manage and monitor exposure to the main risks and thus provide a reasonable expectation of business sustainability in the medium to long term.

Moreover, through a clear definition of the roles and responsibilities owned by the company bodies and functions in the various stages of the risk management process, the goal is to define a risk management culture that could be an integral part, or in any case an essential element, of the company's decision-making processes.

The ERM process, and consequently the SCIEGR, is a dynamic process that must therefore take into account changes in the business, needs and events having a potential impact over time, in order to allow the involved corporate bodies and functions to evaluate the nature and level of the Group's risks in line with the strategic objectives and, therefore, to define the priority risk management strategies to be adopted.

Detailed information about the operating methods used to implement the ERM model, including the approach adopted, the risk assessment and measurement method, the timing and the parties involved, is provided in the ERM Group Policy, approved by the Board of Directors on July 22, 2019, after receiving the favourable opinion of the Responsible Director and the Control and Risk Committee.

c) Governance of the SCIEGR

The main corporate bodies and players responsible for the SCIEGR are:

- a) the Board of Directors;
- b) the Control and Risk Committee;
- c) the Director responsible for the Internal Control and Risk Management System (hereinafter the “Responsible Director”);
- d) the Risk Management Committee;
- e) the Chief Risk Officer;
- f) the Chief Audit Executive;

¹ COSO ERM system - Integrating with Strategy and Performance, 2017

- g) the Board of Statutory Auditors.

Other corporate bodies and functions, such as the Supervisory Body pursuant to Italian Legislative Decree 231/2001, the Responsible Director in charge of preparing the Company's accounting and corporate records pursuant to Italian Law 262/2005, also play an important role within the SCIEGR in their specific areas of competence, as defined by the relevant regulations.

Each of the above mentioned corporate bodies and positions shall act complying with the corresponding tasks and powers, as well as according to the indications contained in these Guidelines and in the applicable statutory, regulatory and internal provisions. Below are the tasks and responsibilities considered key to direct an effective implementation of the SCIEGR.

The Board of Directors

The Board of Directors directs, supervises and evaluates the adequacy of the SCIEGR, starting from the preparation of these guidelines and continuing with the performance of specific activities within the integrated risk management process.

In particular, the Board:

- a) defines, with the support of the Control and Risk Committee, the Chief Risk Officer and the Top and Senior Management, the most relevant risk areas for the achievement of the Group's strategic objectives;
- b) assesses, for each of the risks identified and analysed, whether the strategies implemented by Management to anticipate, manage and mitigate the Group's potential exposure to risk are sufficient to ensure, with a certain degree of reasonableness, that the strategic objectives defined are achieved;
- c) verifies that the risk profile of the Group is compatible with the set strategic objectives and the risk appetite of the Group.

Moreover, the Board of Directors:

- a) at the proposal of the Control and Risk Committee, on a yearly basis, when endorsing the financial statements, approves the risk-based Audit Plan, after consultation of the Board of Statutory Auditors and the Responsible Director;
- b) after consultation of the Board of Statutory Auditors, evaluates the results exposed by the legal auditor in the possible letter of recommendations

and in the report about the main issues emerged during the statutory audit;

- c) assesses on a yearly basis, according to the time frame required by the operating model of the ERM process, the adequacy, efficacy and efficiency of the SCIEGR compared to the business activity and the risk profile, also considering the assessments of the Responsible Director and of the Control and Risk Committee;
- d) describes, in the report on corporate governance, all the main characteristics of the SCIEGR, expressing its judgement on its adequacy, effectiveness and efficiency, also taking into account the assessment of the Responsible Director and the Control and Risk Committee;
- e) appoints the Responsible Director;
- f) creates a Control and Risk Committee and appoints its chairman;
- g) approves the regulations of the Control and Risk Committee, as well as their possible modifications and updates;
- h) appoints and removes from his/her position the Chief Audit Executive, by establishing his/her compensation according to corporate policies, at the proposal of the Appointment and Remuneration Committee, after approval of the Control and Risk Committee and consultation of the Board of Statutory Auditors;
- i) guarantees that the Chief Audit Executive is given suitable resources to carry out his/her tasks and responsibilities.

The Control and Risk Committee

The functions of the Control and Risk Committee include providing advice on, proposals on and monitoring of the SCIEGR, hence supporting the Board of Directors in the related decision-making processes, as well as in assessing the adequacy of the system itself.

In particular, the Committee:

- a) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the main business risks, relevant to the pursuit of strategic business objectives;
- b) assesses, together with the manager responsible for the preparation of corporate accounting documents and after consultation of the legal

auditor and the Board of Statutory Auditors, the proper use of accounting principles and their homogeneity for drawing the statutory financial and consolidated financial statements and submits the results of its assessment to the Board of Directors as stated in letter g) below;

- c) examines the annual Audit Plan prepared by the Chief Audit Executive and proposes its adoption to the Board of Directors;
- d) examines the reports on the evaluation of the SCIEGR prepared by the Chief Audit Executive and on issues of particular importance, reporting to the Board of Directors;
- e) monitors the autonomy, the adequacy, the efficacy and efficiency of the Internal Audit and proposes possible correcting actions to the Board of Directors;
- f) can ask to the Chief Audit Executive to carry out some verifications on specific operating domains, by communicating this immediately to the Chairman of the Board of Statutory Auditors and of the Board of Directors, as well as to the Responsible Director;
- g) reports to the Board of Directors, at least each semester, at the approval of the yearly and half-year financial reports, on the activity performed, as well as on the adequacy of the SCIEGR;
- h) carries out committee functions for related party transactions pursuant to the Company's procedure for related party transactions.

The Control and Risk Committee consists of at least 3 independent directors. At least one of its members has got an adequate experience in accounting and financial or risk management matters. It acts pursuant to the provisions of the internal regulations approved by the Board of Directors, which describes its appointment modes, its tasks, its operating procedures, powers and budget.

In the Control and Risk Committee's works, take part the Chairman of the Board of Statutory Auditors or another auditor named by the Chairman of the board (even the other auditors can participate).

The Responsible Director

The Responsible Director, who normally coincides with the Managing Director, is responsible for implementing and maintaining an effective risk management process by:

- a) implementing these Guidelines defined by the Board of Directors;

- b) designing, creating and managing the SCIEGR, by checking its adequacy and efficacy, and foreseeing the coordination procedures between the concerned bodies and positions in order to maximise the efficiency and reduce duplications;
- c) identifying the main business risks, discussing and approving the results of risk assessment and risk management strategies, including the assignment of the related responsibilities, ensuring regular reporting to the Board;
- d) approving the approach, methodology and tools to support risk management, ensuring that they are updated in the light of changes in the business and/or regulatory environment;
- e) constantly verifying, even based on the reports prepared by the Chief Audit Executive and on the indications of the Control and Risk Committee, the adequacy, efficacy and efficiency of the SCIEGR, by proposing to the Board of Directors the convenient modifications and updates;
- f) asking to the Chief Audit Executive to carry out some verifications on specific operating domains and the respect of internal rules and procedures in the execution of corporate operations, by communicating this immediately to the Chairman of the Board of Directors, to the Chairman of the Control and Risk Committee as well as to the Chairman of the Board of Statutory Auditors;
- g) immediately reporting to the Board of Directors the problems and critical points that emerged during the execution of its activity or that were communicated to it, so that the Board of Directors can take the suitable actions.

In addition, the Responsible Director ensures the leadership of the entire risk management process and the commitment of the Group's Top and Senior Management.

The Risk Management Committee

The Risk Management Committee, consisting of the first line of reporting to the Group's Managing Director, the Chief Audit Executive and coordinated by the Chief Risk Officer, supports the Responsible Director in assessing the main corporate risks.

In particular, the Committee:

- a) promotes a structured risk identification and analysis process;
- b) examines information relating to current and emerging risks to which the Group is exposed, requesting in-depth analyses where necessary;
- c) discusses and proposes the risk management strategies deemed most appropriate with respect to the Group's overall exposure and assigns the relevant responsibilities;
- d) monitors the implementation and effectiveness of the defined risk management strategies.

The Chief Risk Officer

The Chief Risk Officer is responsible for:

- a) defining, implementing and maintaining adequate risk management processes, tools and methodologies, facilitating the development of an integrated approach and a holistic view of the universe of risks applicable to the Group;
- b) facilitating the process of identification, assessment and management of the main business risks through a structured dialogue with Group management;
- c) ensuring periodic reporting on risk management activities to the Risk Management Committee, the Responsible Director, the Control and Risk Committee and the Board of Directors;
- d) monitoring, on a regular basis, the evolution of the risk profile, as well as the state of implementation of the defined mitigation plans;
- e) promoting the spreading of an effective and deep-rooted risk culture within the organisation.

The Chief Audit Executive

The Chief Audit Executive is responsible for verifying that the SCIEGR is working effectively by, among other things:

- a) the preparation of a Risk-based Annual Internal Audit Plan, based on a structured process of analysis and prioritisation of the main risks identified in the ERM process. This plan is submitted to the Control and Risk Committee, so that it proposes its adoption to the Board of

Directors;

- b) verifying, both on an ongoing basis and in relation to specific needs, the suitability and efficient operation of the SCIEGR;
- c) preparing periodic reports containing information on its activities, including the overall assessment of the SCIEGR, the way in which risk management is conducted, and the effectiveness and adequacy of the Group's risk management strategies. These reports are transmitted to the Chairmen of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors and to the Responsible Director;
- d) immediately drawing up reports on particularly significant events, by sending a copy to the chairmen of the Board of Directors, of the Control and Risk Committee, of the Board of Statutory Auditors, as well as to the Responsible Director;
- e) verifying, within the frame of the Audit Plan, the reliability of the information systems, including accounting recognition systems.

The Chief Audit Executive hierarchically depends on the Board of Directors via its Chairman and is entitled to directly access all the useful information for carrying out his/her mandate.

The Board of Statutory Auditors

The Board of Statutory Auditors monitors the efficacy of the SCIEGR. In the performance of its functions, the Board of Statutory Auditors can ask the Chief Audit Executive to carry out some verifications on specific operating domains or corporate transactions, by communicating this to the Chairman of the Board of Directors. The Board of Statutory Auditors and the Control and Risk Committee are rapidly exchanging the relevant information for executing their tasks.

Art. 8 - Statutory Auditors

Below are the terms of the **Articles of Association** on the subject of **Statutory Auditors**

ARTICLE 26

1. The Board of Statutory Auditors comprises three acting members and three alternate members who remain in office for three years and are eligible for re-election. The minority shareholders are entitled to elect one acting auditor and one alternate auditor.
2. Members of the Board of Statutory Auditors are appointed by the Shareholders' Meeting from lists presented by the Shareholders. Each list comprises two sections: one for candidates for the position of acting auditor and the other for candidates for the position of alternate auditor. Candidates are listed in numerical order. Lists which include a number of candidates equal to or higher than three must include in each section candidates belonging to both genders.
3. The lists, signed by the presenting Shareholders, must be filed according to the terms and conditions required by the enforceable law.
4. Lists may only be presented by Shareholders who, either individually or jointly with others, hold shares that represent at least 2.5% (two point five percent) of the share capital or a different percentage laid down by the law or regulations. Proof of ownership of the required number of shares must be presented according to the terms and conditions required by enforceable law.
5. Lists which do not comply with the above rules shall be considered null and void.
6. No Shareholder, either individually or jointly, may present more than one list, even via an intermediary or trustee; Shareholders subject to the same control pursuant to art. 93 of the Consolidated Securities Act or belonging to the same voting syndicate may present or contribute to the presentation of only one list.
7. Each Shareholder can vote for just one list.
8. Each candidate may stand in one list only, on pain of disqualification.
9. Lists cannot include candidates who already hold office as acting auditors in another five companies or entities listed on a regulated market registered pursuant to arts. 63 and 67 of Legislative Decree no. 58/1998, or candidates who do not meet the requirements of respectability, professional and independence or who exceed the limit to the number of positions held as laid down by law or regulations.
10. Each list filed by the above indicated term must be accompanied by statements from each candidate accepting their nomination and declaring, under their own responsibility, that there are no incompatibilities or reasons for which they cannot be elected and that they meet the requirements laid down by law and the applicable regulations for members of the Board of Statutory Auditors.
11. Candidates must also provide a curriculum vitae describing their personal and professional qualifications specifying any administrative or management positions they might hold in other companies.
12. Incompleteness or irregularity of any candidature shall mean

- disqualification of the candidate's name from the voting list.
13. Members of the Board of Statutory Auditors are elected as follows:
 1. from the list which obtained the highest number of votes during the Meeting, two acting members and two alternate members are taken, in the numerical order in which they were listed in the sections concerned;
 2. from the minority shareholders' list represented by the list which obtained the second highest number of votes during the Meeting, and which is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list, the remaining acting member and remaining alternate member are taken in the numerical order in which they were listed in the sections concerned;
 3. if only one list is presented, all of the acting and alternate auditors are taken from that list.
 14. When application of the procedure described in 1), 2) and 3) above does not give the gender balance required by current legislation, the last person elected from the section of the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list and the same section belonging to the least represented gender. Otherwise, the Shareholders' meeting shall make up the number of the Board of Statutory Auditors with the majorities required by law, ensuring that the requirement is complied with.
 15. The candidate on the minority shareholders' list which obtained the highest number of votes is appointed as Chairman of the Board of Statutory Auditors. If only one list is presented, the first candidate for Auditor on the list is appointed as Chairman of the Board of Statutory Auditors.
 16. The appointment of auditors lapses if they no longer meet the requirements laid down in current regulations and the By-laws.
 17. If an acting auditor is replaced, the alternate auditor is taken from the list of the person replaced thus ensuring the compliance with legal requirements including those relating to gender balance.
 18. The meetings of the Board of Statutory Auditors may be held by any means of telecommunication on the following conditions:
 - a) the participants are able to examine, receive and transmit all the necessary documentation;
 - b) the participants are able to take part in the discussions in real time, in accordance with normal board practice.
 19. Meetings are held at the place where they are convened, where the Chairman must be present.
 20. The Board of Statutory Auditors may, on prior communication to the Chairman, call a General Meeting, a meeting of the Board of Directors or of the Executive Committee. Powers to call a meeting of the Board of Directors or Executive Committee may be exercised individually by each member of the Board of Statutory Auditors; a General Meeting may be called by at least two members of the Board of Statutory Auditors.

As well as having the requisites required by law, the Statutory Auditors are selected from persons who can be qualified as independent even according to the criteria set out in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. for Directors.

The Board of Statutory Auditors checks that the said criteria have been complied with after their appointment and then once a year.

The Statutory Auditors accept the position when they feel that they can devote the necessary amount of time to carrying out their duties in a diligent way.

The compensation of the Statutory Auditors is commensurate with the commitment required of them, with the importance of the role they hold and with the characteristics of the Company in terms of size and business sector.

The supervisory activity of the Board of Statutory Auditors on the effectiveness of the Control and Risk System is described in Art. 7 above.

Art. 9 - Relations with the Shareholders

The Company undertakes concrete steps to create and maintain a positive dialogue with its Shareholders and the market through various types of communication: slide presentations of Company and Group results at Shareholders meetings, meetings with financial analysts and institutional investors in Italy and abroad, publication of corporate documentation required by the regulations, presentations and press releases on the Company website.

The Company also adheres to the principles of the Guide for Disclosing Information to the Market.

The Company appoints an officer responsible for the Investor Relations function to manage the flow of information to Shareholders, financial analysts and institutional investors, in compliance with the rules established for the disclosure of the Company's information and documents.

Below are the terms of the **Articles of Association** on the subject of the terms and procedures for calling **Shareholders' Meeting**

ARTICLE 10

1. General meetings represent all the Shareholders and their resolutions, adopted in accordance with the law and these By-laws, bind all Shareholders, even if they were absent or dissenting.
2. General meetings are either ordinary or extraordinary, as defined by law.

General meetings either ordinary or extraordinary, in single notice if the Board of Directors recognizes the opportunity, is convened and resolve according to the law in the respect of the Procedure for related party transactions.

3. General Meetings may be convened in places other than the registered offices, on condition that they are held in Italy. An Ordinary Meeting must be called at least once each year within one hundred and twenty days of the end of the financial year or, in the circumstances identified by law, within one hundred and eighty days of the end of the financial year.
4. Ordinary general meetings could adopt the resolutions requested by the Procedure for related party transactions.

ARTICLE 12

General meetings are called by the publication of a notice on the company's website and in the daily newspaper "La Repubblica", according to the terms and conditions required by the law in force.

The Board of Directors provides the Shareholders with the proposals on the Agenda for the Shareholders Meeting. This is made available on the Company's website within the time limits laid down by current legislation.

The Rules for Shareholders Meetings, which can be found on the Company website, ensure that Shareholders Meetings take place in an ordered and functional manner.