



Report on corporate governance and ownership structure





REPORT  
ON CORPORATE GOVERNANCE AND  
OWNERSHIP STRUCTURE

pursuant to Article 123-*bis* Consolidated Law on Finance (T.U.F)

traditional management and control model

Tesmec S.p.A.

[www.tesmec.com](http://www.tesmec.com)

Financial Period as at 31.12.2014

Approved by the Board of Directors on 12 March 2015

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## GLOSSARY

<b>Borsa Italiana (Italian Stock Exchange):</b>	Borsa Italiana S.p.A., with registered office in Milan, piazza degli Affari no. 6.
<b>Code/Self-Regulatory Code of Conduct:</b>	the Self-Regulatory Code of Conduct of listed companies approved in March 2006 (and amended in March 2010, December 2011 and July 2014) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A
<b>Italian Civil Code:</b>	the Italian Civil Code.
<b>Control and Risk Committee:</b>	has the meaning given in paragraph 10 of this report, as defined below.
<b>Remuneration Committee:</b>	has the meaning given in paragraph 8 of this report, as defined below.
<b>Appointments Committee:</b>	has the meaning given in paragraph 7 of this report, as defined below.
<b>CONSOB:</b>	Commissione Nazionale per le Società e la Borsa (Italian Securities and Exchange Commission), with registered office in Rome, via Martini n. 3.
<b>Board:</b>	the Board of Directors of the Issuer.
<b>Date of the Report:</b>	12 March 2015, the date on which the Report – as defined below – was approved by the Board.
<b>Legislative Decree 231:</b>	Italian Legislative Decree no. 231 of 8 June 2001.
<b>Issuer or the Company or Tesmec:</b>	Tesmec S.p.A., with registered office in Milan, Piazza S. Ambrogio 16.
<b>Financial Period:</b>	the financial period ended as at 31 December 2014, to which the Report refers.
<b>Group or Tesmec Group:</b>	jointly, the Issuer and the companies controlled by it on the Date of the Report pursuant to Article 2359 of the Italian Civil Code.
<b>Instructions to the Stock-Exchange Regulations:</b>	the Instructions accompanying the Stock-Exchange Regulations – as defined below.
<b>Majority list:</b>	has the meaning given in paragraph 4.1 of this report, as defined below.
<b>Majority List for the Appointment of the Statutory Auditors:</b>	has the meaning given in paragraph 13 of this report, as defined below.
<b>Minority List:</b>	has the meaning given in paragraph 4.1 of this report, as defined below.
<b>Model:</b>	the Organisation, Management and Control Model pursuant to paragraph 11.3 of this Report, as defined below.
<b>MTA or Mercato Telematico Azionario:</b>	the Electronic Stock Market, organised and managed by Borsa Italiana.
<b>Supervisory Body:</b>	has the meaning given in paragraph 11.3 of this report, as defined below.

<b>Procedure for Related Party Transactions:</b>	has the meaning given in paragraph 1 of this Report, as defined below.
<b>Stock-Exchange Regulations:</b>	the Regulations of the Markets organised and managed by Borsa Italiana in force on the Date of the Report.
<b>Issuers' Regulations:</b>	the Regulation issued by CONSOB with resolution no. 11971 of 1999 (as amended) on issuers, in force on the Date of the Report.
<b>CONSOB Market Regulations:</b>	the Regulation issued by CONSOB with resolution no. 16191 of 2007 (as amended) on markets, in force on the Date of the Report.
<b>Related Parties Regulations:</b>	the Regulation issued by CONSOB with resolution no. 17221 of 2010 (as amended) on transactions with related parties.
<b>Report:</b>	this Report on Corporate Governance and Ownership Structure that companies are required to prepare pursuant to Article 123- <i>bis</i> Consolidated Law on Finance (T.U.F.).
<b>Minority Auditor:</b>	has the meaning given in paragraph 13 of this report.
<b>Minority Alternate Auditor:</b>	has the meaning given in paragraph 13 of this report.
<b>Articles of Association:</b>	Tesmec's Articles of Association in force on the Date of the Report.
<b>Consolidated Law on Finance (T.U.F.) or Consolidated Law:</b>	Italian Legislative Decree no. 58 of 24 February 1998.



## 1. ISSUER'S PROFILE

The Group is a leader in the design, manufacturing and sale of special products and integrated solutions for the construction, maintenance and efficiency of infrastructures related to the transport and distribution of energy, data and material.

The Group, established in 1951 and led by Chairman & CEO Ambrogio Caccia Dominioni, relies on more than 490 employees and has five production plants: four in Italy, in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari), and one in the USA, in Alvarado (Texas).

From the IPO, on 1 July 2010, the Parent Company has pursued a strategy of diversification of Business announced to offer a complete range of integrated and technologically advanced solutions.

The group operates in three sectors: Stringing, Railways and Trenching.

The Group is specifically able to offer:

### Stringing:

- machines and integrated systems for aerial and underground stringing, power lines and fibre optic cables;
- integrated solutions for efficiency, management and monitoring of the electricity networks of low, medium and high voltage (solutions for smart grids).

### Railway:

- machines and integrated systems for the installation, maintenance and troubleshooting of overhead railroad wiring/catenaries as well as customized machines for special operations on the line.

### Trenching:

- high-efficiency crawler trenching machines for excavation with a set section for the construction of infrastructures for the transmission of data, raw materials and gaseous and liquid products in various sectors: energy, agriculture, chemical and public utilities;
- crawler trenching machines for working in the mines, surface works and earth moving works (RockHawg);
- consulting services and specialised excavation at the request of the customer;
- multi-purpose construction equipment (Gallmac).

All the business divisions are developed in accordance with the ISEQ (Innovation, Safety, Efficiency and Quality) philosophy, with environmental sustainability and energy conservation in mind.

The know-how acquired in developing specific technologies and innovative solutions and the presence of a team of highly specialised engineers and technicians allows the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery, to the supply of know-how relating to the use of systems and optimisation of work, to all pre- and post-sales services related to machinery and the increase in site efficiency. A combination of leading edge products and in-depth knowledge on the use of innovative technologies for tackling the new requirements of the market, therefore allows the Group to offer a successful mix with the goal of ensuring high work performances.

Today, the Group not only sells cutting edge machines, but genuine integrated electrification and excavation systems, which provide advanced solutions during the work performance phase. This is a result of the constant pursuit of innovation, safety, efficiency and quality, which has led to the development of software for making machines safer, more reliable and high-performance.

The Group also has a global commercial presence throughout the majority of foreign countries, with a direct presence on different continents, constituted by foreign companies and sales offices in the USA, South Africa, Russia, Qatar, Bulgaria and China. Tesmec adopts a *traditional* management and control system that is characterised by the presence of:

- a Shareholders' Meeting vested with the decisions on prime acts of management of the company, in accordance with the Law and the Articles of Association;
- a Board of Directors in charge of managing the company business, which has granted operational powers to bodies and delegated subjects;

- a Board of Statutory Auditors called upon to supervise compliance with the Law and the Articles of Association and compliance with the principles of correct administration, as well as to control the adequacy of the organisational structure, the internal control system and the company's administrative-accounting system;
- Independent Auditors, in charge of auditing and providing an opinion on the financial statements pursuant to the Law and Articles of Association.

Within the Board of Directors, in compliance with the recommendations contained in the Self-Regulatory Code of Conduct, a Control and Risk Committee, an Appointments Committee and a Remuneration Committee were set up. Moreover, on 11 November 2010, the Board of Directors approved a procedure for related party transactions, effective as from 1 January 2011 (the “**Procedure for Related Party Transactions**”). By way of resolution of 14 March 2014, the Board of Directors reviewed and updated the Procedure for Related Party Transactions. The duties of the Committee for Transactions with Related Parties stated in the procedure are entrusted to the Control and Risk Committee (see paragraphs 10 and 12 of this Report).

## **2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1, CONSOLIDATED LAW ON FINANCE (T.U.F.))**

Information on the ownership structure on the date of approval of this Report, in compliance with the provisions of Article 123 *bis*, paragraph 1, of the Consolidated Law on Finance (T.U.F.), is indicated below.

### **(A) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a) Consolidated Law on Finance (T.U.F.))**

The entire share capital of Tesmec S.p.A. consists of ordinary shares with voting rights, admitted to listing on the Italian Electronic Stock Market, STAR segment, managed by the Italian Stock Exchange.

The fully subscribed and paid-up share capital currently totals Euro 10,708,400 divided into 107,084,000 ordinary shares with a nominal value of Euro 0.1 each. (See Table 1 attached to this Report).

The Company has not issued other categories of shares, or financial instruments convertible or exchangeable with shares.

On the Date of the Report, there are no share-based incentive plans that involve an increase, including bonus issue, of share capital.

### **(B) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) Consolidated Law on Finance (T.U.F.))**

The Articles of Association of Tesmec do not provide restrictions on the transfer of shares, such as limits to the ownership of securities or the need to obtain the approval of the Issuer or of other owners of securities.

### **(C) Significant equity investments (pursuant to Article 123-bis, paragraph 1, letter c) Consolidated Law on Finance (T.U.F.))**

The Company is included in the definition of small and medium enterprise (SME) pursuant to Article 1, paragraph 1, letter *w-quater* of the Consolidated Law on Finance (T.U.F.), introduced by Italian Decree Law no. 91 of 24 June 2014 and converted, following amendment, into Italian Law no. 116 of 11 August 2014. The minimum shareholding percentage subject to disclosure pursuant to Article 120 of the Consolidated Law on Finance (T.U.F.) is 5% instead of 2%.

According to the register of shareholders and to the updates available on the Date of the Report, including the communications received by the Company pursuant to Article 120 of the Consolidated Law on Finance (T.U.F.), as well as any other information available, the subjects holding directly or indirectly shares more than [5]% of the subscribed and paid-up share capital, are those described in Table 1 attached to this Report.

**(D) Owners of securities granting special controlling rights (pursuant to Article 123-bis, paragraph 1, letter d) Consolidated Law on Finance (T.U.F.))**

The Company has not issued securities that grant special controlling rights and the Articles of Association of Tesmec do not provide special powers for some shareholders or holders of specific classes of shares, nor do they include provisions as to multiple or increased voting right shares.

**(E) Shareholdings of employees: exercise of voting rights (pursuant to Article 123-bis, paragraph 1, letter e) Consolidated Law on Finance (T.U.F.))**

There is no system of employee shareholding at the date of this Report.

**(F) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) Consolidated Law on Finance (T.U.F.))**

The Articles of Association do not provide for special provisions that cause restrictions, limits or deadlines on voting rights, and the financial rights related to the securities are not separated from their ownership.

**(G) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g) Consolidated Law on Finance (T.U.F.))**

On the Date of the Report, there are no shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance (T.U.F.).

**(H) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h) Consolidated Law on Finance (T.U.F.)) and provisions established by the Articles of Association on public purchase offers (pursuant to Article 104, paragraph 1-ter, and 104-bis, paragraph 1)**

On the Date of this Report, the Company has a loan contract with a bank that provides for the right of the bank to terminate the contract in the case of change of control of the Issuer.

The Articles of Association of the Company do not provide for exceptions to the provisions on the passivity rule provided by Article 104, paragraphs 1 and 2, of the Consolidated Law on Finance (T.U.F.), nor do they contemplate the application of the neutralisation rules contemplated by Article 104-bis, paragraphs 2 and 3, of the Consolidated Law on Finance (T.U.F.).

**(I) Powers to increase the share capital and authorisations to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) Consolidated Law on Finance (T.U.F.))**

The Board was not authorised by the Shareholders' Meeting to increase the share capital pursuant to Article 2443 of the Italian Civil Code.

On 30 April 2014, upon revocation of the previous resolution adopted on 30 April 2013, the ordinary Shareholders' Meeting of Tesmec authorised the Board of Directors to carry out purchase and sale operations, in one or more times, also through subsidiaries, of treasury shares for a maximum period of 18 months from the date of the resolution, up to a maximum number of ordinary shares representing as a whole not more than 10% of the currently existing share capital, comprising ordinary shares only, in compliance with law provisions and regulations of Borsa Italiana, Article 144 bis of the Issuers' Regulations 11971/99 as well as Community provisions on the matter.

Based on the resolution, any purchases must be made on the market at a price that does not exceed the highest value between the price of the last independent transaction and the price of the current higher independent offer in trading venues where the purchase is made, without prejudice to the fact that the purchase transactions must be carried out at a price that does not deviate down and up for more than 10% compared to the reference price recorded by the security at the close of the trading session before each transaction.

The authorisation was requested to pursue, in the interests of the Company, also through subsidiaries, the purposes allowed by the applicable laws and regulations in force such as, (i) offering incentives to and developing loyalty of employees (including any category that, by the same standard as the law, in force each time, is treated as equivalent), collaborators, directors of the Company and/or of companies controlled by it and/or other categories of subjects (such as one-firm agents or otherwise) chosen at the discretion of the Board of Directors, as deemed appropriate each time by the Company, (ii) fulfilling any obligation arising from debt instruments convertible into/or exchangeable with equity instruments, (iii) carrying out sales, exchanging, swapping, transferring transactions or other disposal of treasury shares for acquisitions of shareholdings and/or real estate and/or the conclusion of agreements (trade agreements or otherwise) with strategic partners, and/or for the implementation of industrial projects or extraordinary financial operations, which fall within the objectives of expansion of the Company and the Tesmec Group, and (iv) seizing market opportunities also through the purchase and resale of shares whenever appropriate both on the market (as regards conveyance) in the so-called over-the-counter markets or even outside the market provided at market conditions.

At the end of the financial period of reference as at 31 December 2014, the Company held as treasury shares no. 2,361,454; at the Date of the Report, the number of treasury shares held is 2,596,321.

#### **(L) Management and co-ordination activities (pursuant to Article 2497 *et sequitur* of the Italian Civil Code)**

On the Date of the Report, the Issuer is controlled pursuant to Article 93 of the Consolidated Law on Finance (T.U.F.) by TTC S.r.l., holding company.

TTC S.r.l. does not carry out the management and coordination activity on the Issuer pursuant to Article 2497-*sexies* of the Italian Civil Code. TTC S.r.l. is a holding that performs the mere function of managing the equity investments without carrying out management and co-ordination activities towards the subsidiaries.

Specifically:

- a) The information required by Article 123-*bis*, paragraph 1, letter i) of the Consolidated Law on Finance (T.U.F.) (“the agreements between the company and the directors that provide for payments in the event of resignation or dismissal without just cause or if the employment relationship is terminated following a public purchase offer”) is illustrated in the section of the Report dedicated to the remuneration of directors published pursuant to Article 123-*ter* of the Consolidated Law on Finance (T.U.F.) (paragraph 1.4 of the Report);
- b) The information required by article 123-*bis*, paragraph 1, letter l) of the Consolidated Law on Finance (T.U.F.) (“applicable law for the appointment and replacement of directors and for the amendment to the Articles of Association, if different from those laws and regulations additionally applicable”) is illustrated in the section of the Report dedicated to the Board of Directors (paragraph 4.1 of the Report).

#### **3. COMPLIANCE (pursuant to Article 123-*bis*, paragraph 2, letter a), Consolidated Law on Finance (T.U.F.))**

The Company has adopted the provisions of the Self-Regulatory Code of Conduct of Borsa Italiana.

The Self-Regulatory Code of Conduct is available to the public on the website of the Corporate Governance at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>.

The Issuer and its strategic subsidiary, Tesmec USA, are not subject to non-Italian provisions of law that affect the Corporate Governance structure of the Issuer.

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

##### **4.1 Appointment and replacement (pursuant to Article 123-*bis*, paragraph 1, letter l), Consolidated Law on Finance (T.U.F.))**

Pursuant to Article 14 of the Articles of Association, the company is managed by a Board of Directors consisting of no less than 5 and no more than 15 members, as determined by the Shareholders' Meeting.

Those who are ineligible under the regulations in force cannot be appointed as directors, and if elected they fall from office.

The members of the Board of Directors remain in office for a period not exceeding 3 company financial periods and their office terminates on the date the Shareholders' Meeting is convened to approve the financial statements relating to the last financial year of their office; they can be re-elected. The Board of Directors is appointed by the Shareholders' Meeting based on the lists presented by the Shareholders.

The Shareholders who, upon presentation of the list, own a stake in the share capital at least equal to the one determined by CONSOB pursuant to Article 147-ter, paragraph 1 of the Consolidated Law on Finance (T.U.F.), and in compliance with the provisions set out in the Issuers' Regulations may present a list for the appointment of the Directors.

The Directors, on the basis of a special resolution of the Board of Directors, can present a list as well without the above requirement of stake ownership.

Lists are filed with the registered office at least 25 (twenty-five) days before the date set for the Shareholders' Meeting convened to decide on the appointment of the Directors. Moreover, lists must be made available to the public by the Company without delay and any way at least 21 (twenty-one) days before the date set for the Shareholders' Meeting, under the terms prescribed by the laws in force.

The lists include a number of candidates not exceeding fifteen, each coupled with a progressive number. The lists presenting a number of candidates equal to or greater than three must include candidates belonging to both genders, in such a way that at least one third of the candidates (rounding up, if necessary, to the higher integer) belongs to the less represented gender. Each list must contain and expressly indicate at least one Independent Director pursuant to Article 147-ter of the Consolidated Law on Finance (T.U.F.), with a progressive number of no more than seven. If the list consists of more than seven candidates, it must contain and expressly indicate a second Independent Director pursuant to Article 147-ter of the Consolidated Law on Finance (T.U.F.). If necessary, each list can also indicate explicitly the Directors with independence requirements provided by codes of conduct drafted by regulated market management companies or by trade associations.

The lists also contain, as an enclosure:

- a) the curriculum vitae concerning the personal and professional details of the candidates;
- b) the declarations by which each candidate accepts his/her own candidature and attests, on his/her own responsibility, that there are no reasons to exclude his/her eligibility, that there are no incompatibility issues, and that he/she complies with all the requirements prescribed by the prevailing law to hold the position of director of the Company, including the declaration on the requirements to be qualified as an "Independent Director pursuant to Article 147-ter" and, if necessary, on the further requirements provided by codes of conduct drafted by regulated market management companies or by trade associations;
- c) indication of the identities of the shareholders who presented the lists and the percentage of the overall shareholding, proved by an appropriate communication issued by the intermediary, without prejudice to the indications set out in Article 147-ter, paragraph 1 of the Consolidated Law on Finance (T.U.F.);
- d) any additional or different privacy declaration, informative report and/or document provided for by law and by applicable regulations.

Each shareholder and the shareholders joining the same shareholders' agreement pursuant to Article 122 of the Consolidated Law on Finance (T.U.F.) cannot present or vote more than one list, albeit by proxy or through a trust.

At the end of the voting, candidates are elected from two lists that have obtained the most votes, with the following criteria:

- (i) a number of directors equal to the total number of members of the Board, minus one, is taken from the List that obtained the majority of votes (the "**Majority List**"), in the sequential order in which they are presented, as previously established by the Shareholders' Meeting; within such number limits, the candidates are elected in the order in which they are listed;
- (ii) a Director, in the person of the candidate indicated with the first number in the List, is drawn from the second list that obtained the highest number of votes and who is not connected directly or indirectly to the shareholders who presented or voted the Majority List pursuant to the applicable provisions and that is not the list presented by the Board of Directors (the "**Minority List**"); however, if not even one Independent Director under Article 147-ter is elected within the Majority List, in case of a board of not more than seven members, or only one Independent Director under Article 147-ter is elected, in case of a board of more than

seven members, the first Independent Director under Article 147-ter indicated in the Minority List will be elected, instead of the first on the Minority List. Moreover, if, with the candidates elected in the manner described above, the compliance of the composition of the Board of Directors with the pro tempore regulations on gender balance in force is not ensured, the candidate of the more represented gender elected last in sequential order in the Majority List will be replaced by the first candidate of the non-elected less represented gender of the same list in sequential order. This replacement procedure will be carried out until the composition of the Board of Directors is in compliance with the pro tempore regulations on gender balance in force. Finally, if the said procedure does not ensure the result indicated above, the replacement will take place with resolution passed by the Shareholders' Meeting by majority vote, subject to the presentation of candidates belonging to the less represented gender.

Lists will not be taken into consideration unless they obtain a percentage of votes equal to at least half of the percentage required for presenting the lists.

In the event that the lists obtain the same number of votes, the list presented by shareholders owning the largest stake when the list is presented prevails, or, subordinately, the one presented by the greatest number of shareholders.

If only one list is presented, the Shareholders' Meeting will vote on it and if it obtains the relative majority of voters, without taking account of abstentions, the candidates listed in sequential order will be elected Directors, up to the number established by the Shareholders' Meeting, without prejudice to the fact that, if the Board has more than seven members, the second Independent Director under Article 147-ter is also elected, in addition to the one necessarily placed with the first seven and without prejudice to the compliance with the pro tempore regulations on gender balance in force.

In the absence of lists, or if the number of directors elected on the basis of the presented lists is lower than the one determined by the Shareholders' Meeting, the members of the Board of Directors are appointed by the Shareholders' Meeting itself with the majorities provided by law, without prejudice to the obligation for the Shareholders' Meeting to appoint the minimum number of Independent Directors required under Article 147-ter and always in compliance with the pro tempore regulations on gender balance in force.

The Independent Directors under Article 147-ter, indicated as such when appointed, must immediately inform the Board of Directors of any non-fulfilment of the independence requirements; the Director falls from his/her office if the minimum number of directors with the said independence requirements requested by the law provisions in force no longer exists within the Board.

The candidate possibly indicated as Chairman of the Board of Directors in the Majority List or in the only list presented and approved is elected as such. Failing this, the Chairman is appointed by the Shareholders' Meeting with the majorities provided by law, or he/she is appointed by the Administrative Body pursuant to the Articles of Association.

In the event of termination of office, for any reason, of one or more Directors, they may be replaced according to the provisions of Article 2386 of the Italian Civil Code, without prejudice to the compliance with the *pro tempore* regulations on gender balance in force.

On the Date of the Report, the Board of Directors considered not to adopt a succession plan for the Executive Directors, in consideration of the particular shareholding structure and current system for the delegation of powers, implemented within the Board of Directors. In this regard, depending on the shareholding structure, the Company is able to promptly set up the Board of Directors in order to take the appropriate decisions.

#### **4.2 Composition (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))**

On the occasion of the renewal of corporate offices, the Ordinary Shareholders' Meeting of 30 April 2013 appointed a Board of Directors composed of 10 members. Two lists were presented during the Meeting by the Company's shareholders. The list presented by the shareholder TTC S.r.l. indicated the following candidates in order: Ambrogio Caccia Dominioni, Alfredo Brignoli, Caterina Caccia Dominioni, Lucia Caccia Dominioni, Gianluca Bolelli, Giuseppe Leonardo Marseglia, Gioacchino Attanzio, Guido Giuseppe Maria Corbetta, Sergio Arnoldi and Michele Carlo Felice Milani. The list presented by the shareholder 3T Finanziaria S.p.A. indicated one candidate: Luca Poggi. The list presented by the shareholder TTC S.r.l. prevailed, obtaining 84.75% of votes with respect to the voting shares, whereas the list presented by the shareholder 3T Finanziaria S.p.A. obtained 14.25% of

votes with respect to the voting shares. The first nine candidates of the list presented by the shareholder TTC S.r.l. were therefore appointed to serve on the Company's Board of Directors, together with Luca Poggi, as member of the Board represented by the minority list.

On 1 August 2014, the independent and non-executive Board Director, Luca Poggi, drawn from the minority list, resigned from the office held in the Company due to professional reasons. On March 26, 2015 the independent non-executive Director Marseglia resigned from the office held in the Company due to professional reasons. The Company's Board of Directors, therefore, is presently composed of eight members: two executive Directors, Ambrogio Caccia Dominioni and Alfredo Brignoli; three non-executive Directors, Caterina Caccia Dominioni, Lucia Caccia Dominioni and Gianluca Bolelli; and three independent Directors, Gioacchino Attanzio, Guido Giuseppe Maria Corbetta and Sergio Arnoldi.

The current Board of Directors will remain in office until the approval of the financial statements ended 31 December 2015.

In compliance with the provisions of Article 2 of the Self-Regulatory Code of Conduct, the presence of a high number of non-executive directors within the administrative body, as well as the authority and powers that characterise them, ensure that their judgement has a significant impact on the Board's decisions. The presence of six non-executive directors, three independent in the persons of Gioacchino Attanzio, Sergio Arnoldi, e Guido Giuseppe Maria Corbetta (this also in compliance with the provision of Article 147-ter, third paragraph, of the Consolidated Law on Finance (T.U.F.), has the objective of achieving the greatest possible "good governance" which is implemented through debate and dialogue among all of the directors.

Information on the personal and professional characteristics of each member of the Board of Directors is indicated below.

Ambrogio Caccia Dominioni, born in Morbegno (Sondrio) on 27 August 1946, graduated from the Università Cattolica del Sacro Cuore of Milan with a degree in Economics and Commerce in 1970. From 1971 to 1979, he worked for Andersen Consulting S.p.A. as Industry Finance – Leasing manager. In 1980 he started his entrepreneurial activity in the family group, which in time went from being a single company called "M.T.S. Officine Meccaniche di Precisione S.p.A." to an international group with diversified activities in various sectors and countries. He is currently Chairman and Chief Executive Officer of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Alfredo Brignoli, born in Ponteranica (Bergamo) on 10 December 1920, achieved a land surveyor diploma in 1945. He has been an entrepreneur in the mechanical sector since 1960. He has been Director of FI. IND. S.p.A. since 2001, of M.T.S. S.p.A. since 2004 and of CBF S.r.l. since 2006. He is currently Vice Chairman of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Gianluca Bolelli, born in Castel Maggiore (Bologna) on 18 September 1959, graduated from the Università Commerciale "Luigi Bocconi" of Milan with a degree in Economic and Commerce in 1983. He has been enrolled with the Register of Professional Accountants since 1985, of Auditors since 1995, and of freelance journalists since 1994. During the 1990-1993 academic years, he worked as a contractor with the faculty of Economics of Università Cattolica for the course of Business Administration. He is an external lecturer of the Scuola di Direzione Aziendale (Business Management School) of Bocconi University and SUPSI, lecturer during conventions and courses on tax, company and governance matters. He is co-author of publications and articles on tax, contractual and company matters. In 1984-1985, he worked as an auditor for Deloitte Haskins Sells (subsequently Deloitte & Touche S.p.A) and in 1985-1986 as a consultant for Peat Marwick Consultants (subsequently KPMG S.p.A.). In March 1986 he practiced as a professional accountant and in 1989 he co-founded Studio Bolelli, Sportelli, de Pietri-Tonelli. He is currently Vice Chairman of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Lucia Caccia Dominioni, born in Milan on 23 February 1977, graduated in Arts and Humanities from the University of Milan in 2001. After graduating, she worked at Inferentia DNM in Human Resources until 2002. After a work experience at Daniel Contractors (Manchester, UK), she began working for Reggiani Macchine S.p.A. dealing with commercial relations with Germany, initially from Bergamo and then from Berlin between 2003 and 2005. In 2009, she was involved in the external communication campaign during the process that led to the listing on the Stock Exchange of Tesmec S.p.A. in July 2010. She has dealt with press office communications and

management for Reggiani Macchine since 2009. She is currently Director of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 30 April 2013.

Caterina Caccia Dominioni, born in Morbegno (Sondrio) on 18 August 1979, graduated from the Università Cattolica del Sacro Cuore of Milan with a degree in Law in 2003. She has been enrolled with the bar association of Milan since 2007. She practiced her profession from 2004 to 2007 at the Baldoli – Caccia Dominioni law firm and from 2007 to October 2008 at the Frau, Ruffino, Verna law firm. She has been carrying out legal consulting activities for the Issuer and for Reggiani Macchine S.p.A. since November 2008. She is currently Director of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Gioacchino Attanzio, born in Madrid (Spain) on 9 November 1943 with Italian citizenship, graduated from the University of Palermo with a degree in Law in 1968. From 1968 to 1979, he worked for Pirelli S.p.A. as Area Manager. From 1979 to 1983, he worked for Merloni Elettrodomestici S.p.A. (currently Indesit Company) where he held the position of Sales Director from 1981. He then went on to working for Permaflex S.p.A. from 1983 to 1985 where he held the position of General Manager and later on of Managing Director (1996-1998). From 1985 to 1991, he worked for Candy Hoover Group S.r.l. where he held the position of General Manager. From 1991 to 1996, he worked for Brionvega S.r.l. where he held the position of General Manager. From 1996 to 1997 he was the Managing Director of "Numero Uno" (Harley Davidson). From 1998 through to 2013, he held the office of General Manager and Director of Aidaf (Associazione Italiana delle Aziende Familiari, Italian Association of Family Enterprises). He has been a member of the Management Committee of GEEF – European Group of Owner Managed and Family Enterprises – Madrid, Spain, and has been the Chairman of the Italian Chapter of F.B.N. – Family Business Network – Lausanne, Switzerland. He is the Chairman of IFON – Italian Family Office Network – Milan and a member of the Advisory Board of Borsa Italiana for the alternative market of capitals (EIM-MAC). He has been a member of the Board of Directors of C2I S.r.l. (Condotte Investimenti Infrastrutturali S.r.l.) since 2 July 2012 and a member of the board of Assoholding, the association of Italian holding companies, since February 2014. He is currently director of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Sergio Arnoldi, born in Bergamo on 6 February 1947, graduated from the University of Padua (branch of Verona) with a degree in Economy and Commerce in 1971. He has been enrolled with the Register of Professional Accountants since 1976 and of Auditors since 1995. He started his work experience in 1971 by collaborating with the office of Enzo Berlanda until 1976, and then opened his own office in Bergamo in the same year. He was a Statutory Auditor of TESMEC from 2007 to February 2010. He is currently a Director of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Guido Giuseppe Maria Corbetta, born in Milan on 4 May 1959, graduated from the Università Commerciale "Luigi Bocconi" of Milan with a degree in Business Administration in 1983. In 1991, he obtained a PhD in Business Administration. From 1998 to date he was initially associate professor and then full professor of "Strategia e politica aziendale" (Business strategy and policy) at the Università Commerciale "Luigi Bocconi" of Milan. In 2003 he became AIDAF - Alberto Falck professor of "Strategia delle aziende familiari" (Strategy of Family Enterprises) at the Università Commerciale "Luigi Bocconi" of Milan. From 2006 to 2011, he was Graduate Area Pro-rector of the Bocconi University and member of the Rectorial Committee and he is a Founding Manager of the "Bocconi Graduate School". He has been a member of the Editorial Board of the Family Business Review since 1994, a member of the Editorial Review Board of the Entrepreneurship Theory and Practice magazine since 2007 and editor of the journal Economics & Management since 2014. He is the author and editor of several books and publications on Italian and international journals and essays in Italian and English, mainly in the field of small and medium-sized enterprises and family-businesses. He is currently director of TESMEC and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

For further information on the composition of the Board of Directors of the Company, see Table 2 indicated in the annex.

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

The Board of Directors decided not to define general principles on the maximum number of administration and control offices in other companies that can be considered compatible with an efficient performance of the role of



director of the Company, because, in view of the current structure of the Board of Directors of the Company considered and the positions held by its members in other companies, it was considered that the number and quality of positions held do not interfere and are therefore compatible with an effective performance of the office of director of the Company.

### ***Induction Programme***

The Board of Directors has adequate knowledge of the business sector in which the Issuer operates, of business dynamics and its development, since adequate information is given at each meeting to the Board on the development of the corporate business and the regulatory environment by both the Chairman and the General Manager, who has twenty years experience in the industry and is often invited to participate in the Board meetings.

### **4.3 Role of the board of directors (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F)**

During the Financial Period, the Board of Directors met 6 times. The percentage of participation in the meetings by the current members of the Board of Directors was the following: Ambrogio Caccia Dominioni 100%; Alfredo Brignoli 100%; Caterina Caccia Dominioni 100%; Lucia Caccia Dominioni 100%; Gianluca Bolelli 83%; Gioacchino Attanzio 80%; Guido Giuseppe Maria Corbetta 83%; Sergio Arnoldi 100%.

The Board meetings had an average duration of 3 hours.

On the occasion of all the Board meetings, the members of the Board, in compliance with the provisions of Article 1 of the Code, were provided, in reasonable advance (usually an average of two-days prior notice), with the documents and information necessary to enable them to express an informed opinion on matters under their consideration.

For the 2015 financial period, in addition to the meeting of 12 March, the calendar of company events announced pursuant to Article 2.6.2 of the Stock-Exchange Regulations contemplates 3 meetings on the following dates: 8 May, 5 August and 6 November 2015.

The company notified the calendar of the meetings of the Board of Directors for the 2015 financial period by posting it on its website: [www.tesmec.com](http://www.tesmec.com).

Board meetings are convened by the Chairman or, in case of absence or impediment, by the Vice Chairman, in the manner and within the time lines laid down by the Articles of Association. The Chairman coordinates the meetings of the Board of Directors and makes sure that adequate information regarding the matters on the agenda is provided to all of the Directors. The Board of Directors is convened at the Company's headquarters or elsewhere in Italy, whenever deemed necessary by the Chairman or, in case of absence or impediment by the Vice Chairman, or whenever requested in writing by at least one third of the directors or by the Board of Statutory Auditors, or even individually, by each Board member as provided for by applicable law provisions. The meetings of the Board of Directors may be also be held by audio- or video-conference, in compliance with the conditions set out in the Articles of Association. Even if meetings are not called in the manner and within the timelines provided for in the Articles of Association, they are deemed valid provided that all Directors in office and Statutory Auditors in office take part. The meetings of the Board of Directors are chaired by the Chairman, or in case of absence or impediment, by the Vice Chairman, or in case of absence or impediment by the Chief Executive Officer, or in case of absence or impediment, by the oldest Director. In the event of absence or impediment of the Secretary, the Board appoints the member who must take his/her place. Decisions are approved by a majority of those voting; abstaining directors are excluded from the calculation. In the event of equal votes, the vote of the person chairing the meeting prevails. Voting shall take place by open vote. The minutes of the Board meetings are drawn up by the Secretary or by a specifically appointed Notary, and recorded in a specific book, in accordance with the law.

Where necessary or at request of the Chairman or of one or several directors, persons external to the Board of Directors may take part in the meetings of the Board of Directors, especially executives with strategic responsibilities, business function managers or legal consultants for providing appropriate supplemental information on the matters on the agenda.

Pursuant to Article 19 of the Articles of Association, the Board of Directors is vested with all the powers for the management of the Company and to this end it can decide or carry out all acts held to be necessary or useful in

order to implement the business purpose, with the exception of powers that are, by law and by the Articles of Association, reserved to the Shareholders' Meeting.

The Board of Directors may also pass, in compliance with Article 2436 of the Italian Civil code, without prejudice to the limits of the law, the resolutions concerning (a) merger and demerger in the cases provided for in Articles 2505, 2505 *bis* and 2506 *ter*, last paragraph, Italian Civil Code, (b) opening and closing of secondary offices, (c) transfer of the registered office in the national territory, (d) indication of the Directors who have the legal representation of the company (e) reduction of share capital following withdrawal by a shareholder, (f) adjustments of the Articles of Association to regulatory provisions; without prejudice to the fact that said resolutions may be in any case also passed by the Extraordinary Shareholders' Meeting.

The Board of Directors has:

- set up an internal Remuneration Committee (see paragraph 8 of this Report), an Internal Control and Risk Committee (see paragraph 10 of this Report) and an Appointments Committee (see paragraph 7 of this Report). Each Committee operates on the basis of an internal regulation that establishes the operating rules of the committee itself;
- approved a Procedure for Related Party Transactions (see paragraph 12) and assigned to the Control and Risk Committee the duties of the Committee for Related Party Transactions;
- established the business functions of Head of Internal Control and investor relations and subsequently appointed the persons in charge of such functions (see paragraphs 11.2 and 15 of this Report);
- adopted a procedure for the processing of confidential information (see paragraph 5 of this Report);
- approved the internal dealing code (see paragraph 5 of this Report);
- established an Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01 (see paragraph 11.3 of this Report);
- set up a Supervisory Body (see paragraph 11.3 of this Report); and
- approved the Code of Ethics that is an integral part of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01.

As regards the functions of the Board of Directors, the Company has a Board of Directors that, as provided by Article 19 of the Articles of Association, is vested with the broadest powers for the management of the Company, and every other competence reserved by law or the Articles of Association to the Board itself. Therefore, it has the power to carry out all acts, of disposal or otherwise, it deems necessary or useful for the achievement of the corporate purpose, excluding only those that the law specifically reserves to the Shareholders' Meeting.

In particular, the Board of Directors, by well-established company practice:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group, the corporate governance system of the Company and the Group structure;
- defines the nature and level of risk consistent with the Company's strategic objectives;
- evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of its subsidiaries with strategic importance prepared by the Chief Executive Officer, with a special reference to the internal control system and to the management of conflicts of interest;
- establishes the frequency, as a rule no less than once every three months with which the delegated bodies must report to the Board of Directors on the activities performed in the exercise of the powers delegated to them and on the most significant management decisions.
- evaluates the overall management performance, taking into account, in particular, the information received by the delegated bodies, as well as comparing the results achieved with the programmed results on a regular basis; and
- examines and approves previously the transactions of the Company and of its subsidiaries, when these transactions are significant from a strategic, economic, equity or financial point of view for the Company.

On 12 March 2015, the Board of Directors, also in consideration of what reported by the Chairman of the Control and Risk Committee, as well as of the assessments provided by the Director in charge of internal control and by the

Chairman of the Board of Statutory Auditors, evaluated positively the adequacy of the general organisational, administrative and accounting structure of the Company and the Group it belongs to also with reference to the internal control and risk management system. In this respect, in the meeting of 12 March 2015, the Board of Directors identified Tesmec USA as a “subsidiary having strategic relevance”, taking into account the level of turnover, the level of capitalisation and the industrial and commercial peculiarities of the Group’s companies. No other “subsidiaries with strategic relevance” have been identified as at the Date of the Report.

Again on 12 March 2015, the Board of Directors also assessed overall management performance by taking into account especially the information received from the delegated bodies and comparing the results achieved with the programmed results, on a regular basis.

During this assessment, the Board did not consider it necessary to define, on a formal basis, general criteria to help identify operations having significant strategic, economic, equity or financial relevance for the Issuer, since the Company’s consolidated practice is to consider as such not only the operations that given their value are not included in the limits of the powers assigned to the delegated directors, but also other operations that although included in the limits of the powers assigned to the delegated directors given their value, take on strategic relevance, on commercial, industrial or financial grounds, for the purposes of the Company’s business.

The Board of Directors – within the limits of the law and of the Articles of Association – delegates part of its powers and functions to a Chief Executive Officer and can also appoint an Executive Committee by delegating its powers and functions. It can also delegate, within the same limits, the aforesaid powers and functions, with reference to certain functions or sectors, to one or more Directors other than the Chief Executive Officer.

Moreover, the Board of Directors can also set up one or more committees with consultancy, proposal and control functions in compliance with the applicable laws and regulatory provisions in force. The Board of Directors has the right to appoint one or more General Managers.

Pursuant to Article 21 of the Articles of Association, the Chairman of the Board of Directors and, in case of his absence or impediment, even if temporary, the Vice Chairman represents the company towards third parties and before the court and has corporate signature powers; the Chief Executive Officer or the other Directors with proxies are vested as above, within the limits of the delegated powers.

In compliance with the above, on 30 April 2013, the Board decided to appoint Ambrogio Caccia Dominiononi Chief Executive Officer of the Company, assigning to the latter the legal representation of the Company and the separate signature powers specifically indicated in paragraph 4.4, specifying that the Chief Executive Officer is entrusted with the task of overseeing all business sectors, and of observing and enforcing the regulations in force.

During the same meeting, the Board of Directors appointed Alfredo Brignoli Vice Chairman of the Board of Directors, granting him the powers set forth in Article 21 of the Articles of Association and specifically, in case of absence or impediment, even if temporary, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as corporate signature powers pursuant to Article 21 of the Articles of Association.

During the same meeting, the Board of Directors granted Gianluca Bolelli in case of absence or impediment of the Chief Executive Officer and of the vice Chairman and only in the cases of emergency, the powers indicated in the following paragraph 4.4.

The Board of Directors, after requesting each Director to fill in a specific questionnaire, independently considered on 12 March 2015 that the size, composition and operation of the Board and its committees were adequate pursuant to the 1.C.1 Application Principle of the Self-Regulatory Code of Conduct, taking also into account aspects such as professional characteristics, experience, gender of members and seniority.

#### **4.4 Delegated bodies**

On 30 April 2013, the Board of Directors decided, among other things, to appoint Ambrogio Caccia Dominiononi Chairman and Chief Executive Officer, assigning to the latter, for all the period of his office, the legal representation of the Company, the following powers with separate signature, by specifying that the Chief Executive Officer is entrusted with the task of overseeing all business sectors, and of observing and enforcing the regulations in force:

1. assigning to the Chairman and Chief Executive Officer the responsibility for developing business strategies, presenting them to the Board of Directors for their approval and for the definition of their methods of implementation;
2. implementing the business strategies and the Group's strategies, within the guidelines established by the Board, by exercising the functions of directing, stimulating and coordinating all the departments of the Company and its subsidiaries;
3. ensuring achievement of the Company's economic objectives by exercising for this purpose all the powers of ordinary administration, with no exceptions, within any of the limits defined below, in line with the strategies and guidelines approved by the Board;
4. implementing all acts of extraordinary administration approved by the Board;
5. within the guidelines laid down by the Board, coordinating the relations with other Group companies by taking decisions relating to their management and programming policy in order to give effect to the coordination process within the Group;
6. preparing and proposing to the Board any steps deemed useful to the interests of the Company and the Group;
7. preparing the budget forecast and strategic and operational plans relating to the activities of the Company and the Group to which it belongs, for approval by the Board of Directors; providing guidance for the preparation of the financial statements, including the consolidated and interim reports of the Company, and preparing the consolidated financial statements and interim reports to be submitted to the Board of Directors for approval to the extent of its competence;
8. negotiating and entering into contracts for the Company's ordinary administration for a total amount no higher than Euro 10,000,000 per contract which – simply by way of example – may relate to the sale of products, services, goods and equipment in general related to the core business of the Company and its subsidiaries, including contracts and agreements with public administrations and bodies as well as participation in national and international tenders or offerings;
9. representing the company in the participation in tenders and offerings, whether public or private, national or international, with the power to sign offers up to the total amount of Euro 20,000,000 and, if awarded, the related supply contracts;
10. negotiating and entering into contracts for the Company's ordinary administration for a total amount no higher than Euro 2,000,000 per contract which – simple by way of example – may relate to the purchase of products, services, goods and equipment associated with the core business of the Company and its subsidiaries;
11. negotiating and entering into contracts for the purchase of fixed assets – simply by way of example – machinery and equipment for business production processes, furniture, security systems and generic systems relating to the premises where the company carries out its activities, computer equipment and in general assets with multi-year useful life for the Company, for a total amount no higher than Euro 1,500,000 per contract;
12. assigning professional and consulting tasks in relation to specific needs related to corporate activities for an amount no higher than Euro 250,000 on an annual basis per consultant;
13. collecting any amount due to the company by any entity, business or person and issue receipts;
14. performing all the acts and transactions relating to the Company's ordinary administration before public administrations, the independent authority for the administration of state monopolies and public authorities and offices, except for the acts and transactions relating to the obtainment of new concessions; providing for all respective formalities including those associated with legislation on manufacturing and consumption tax and on revenue and monopoly duties;
15. receiving letters, packages and parcels (whether ordinary, registered or insured) from post offices, shipping companies and airlines, and any other transport companies, collecting postal and telegraphic money orders, bills, cheques of any kind and of any amount; requesting and receiving sums, securities, valuables,

- commodities and documents, and signing the relevant receipts, releases and exonerations from liability, with any government, department, institution, office and public or private savings institution;
16. requesting and endorsing cheques, drafts and bills of exchange exclusively for the collection, discount and payment into the accounts of the Company and protesting them;
  17. receiving, setting up and releasing deposits also as security, granting and removing constraints of any kind up to Euro 2,500,000 each;
  18. opening bank and/or postal accounts, giving instructions for payments, either by bank transfer or by cheque, performing debit and credit transactions on the Company's current accounts at banks and post offices, including overdrawn accounts, always in the interest of the Company, and issuing and requesting the issue of bank cheques and drafts;
  19. performing all financial transactions and banking credit and debit transactions necessary for the ordinary management of the Company and its subsidiaries within the limits of the powers delegated, requesting mixed credit lines for endorsement and for cash up to Euro 20,000,000 for each line, in any case to the extent permitted by the Company and Group loans existing on that date, entering into new guarantees against such credit lines, or supplementing existing guarantees, up to a maximum of Euro 10,000,000 per single guarantee;
  20. entering into agreements for disbursement to the Company, from banks and credit institutions, of mortgages, loans and opening of credit lines with the exception of self-liquidating lines, for a total amount no higher than Euro 5,000,000 and the issue, by banks and insurance companies, of sureties and guarantees covering social obligations, as required, with the power to negotiate and agree on the duration, terms and conditions of the individual transactions, signing the relevant documents and agreements and making any relevant statement deemed necessary, useful or appropriate, in any case for amounts no higher than Euro 10,000,000;
  21. providing surety on behalf of the Company, as collateral for loans and/or credit facilities granted by banks to subsidiaries, in any case for amounts no higher than Euro 5,000,000;
  22. accepting collateral and/or sureties, including the acceptance, establishment, registration and renewal of mortgages and liens by debtors and third parties and to the benefit of the Company, agreeing to the cancellation and registration of mortgages by debtors or third parties and to the benefit of the Company in order to discharge or reduce the obligation;
  23. representing the Company before the patent and trademark offices, filing and submitting patent applications for trademarks, industrial inventions, models and designs with the Italian patent office, with the corresponding offices of each foreign country and with all the EU and international bodies, institutions and organisations operating in the industrial property sector;
  24. establishing and withdrawing actions before any ordinary and administrative judicial authority, including any judiciary, and therefore also the Supreme Court of Cassation, the Court of Auditors, the Council of State and the constitutional court, appointing lawyers and attorneys; settling any defendant disputes in or out of court whose overall value, referring to each original claim or to the value of each transaction, is no higher than Euro 2,500,000; settling any plaintiff disputes in or out of court; submitting disputes to arbitration, including amicable settlements and without procedural formalities, and appointing arbitrators, lawyers and attorneys, including granting general powers for legal proceedings;
  25. appearing before any civil, administrative, criminal or tax judicial authority for lawsuits and/or disputes and for controversies, both of an individual and collective labour nature or relating to social security and mandatory assistance for all the requirements laid down in Italian Laws no. 300 of 20 May 1970 and no. 533 of 11 August 1973 n.533, as subsequently amended and supplemented;
  26. exercising the right to bring and join civil actions, and filing petitions and complaints;
  27. making garnishee's statements;
  28. subscribing, signing and submitting all documents, certificates and declarations of an administrative or tax nature addressed to public bodies and administrations, such as, only by way of example, income statements and tax statements, even on a consolidated basis;

29. appointing and dismissing representatives, agents or commission agents, establishing and modifying their rights and obligations;
30. managing the Company's equity investments in entities and legal persons, even foreign, by exercising all related rights and taking all related decisions and by representing the Company in the related shareholders meetings and exercising all rights, including voting rights also with regard to the appointment of the corporate offices, with the exclusion of appointment of corporate offices in companies subject to the Company's management and coordination and whose turnover represents more than 30% of the consolidated turnover of the Tesmec Group;
31. subscribing and paying capital increases in the companies and the entities, even foreign, controlled by the Company for a maximum unit amount of Euro 1,000,000 and for overall Euro 2,500,000 per financial year;
32. obtaining and underwriting loans by companies and entities, even foreign, controlled by the Company, reporting such matter to the Board of Directors if the unit amount is higher than Euro 20,000,000, always within the limits allowed by the Company and the Tesmec Group loans existing as at that date;
33. defining and appointing the most appropriate organisational structure for achieving the business objectives, and the responsibilities and powers of the staff departments in charge of the unified management of the Company and its subsidiaries, as well as the responsibilities of the operational departments of the different business sectors of the Company and the subsidiaries that report to it, by defining also their organisational structure in line with any limits set by the Board of Directors and in any case with the obligation to report to the Board of Directors in relation to the implementation of the above at the first subsequent meeting;
34. concluding, amending and terminating individual contracts of employment in accordance with the Company's annual budget and multi-year plan approved by the Board of Directors, with a limit of individual fixed remuneration of Euro 300,000 gross with regard to the hiring of executives and an individual cost of Euro 600,000 per year for the termination of the individual employment contracts of executives;
35. adopting any additional measures, including disciplinary action, in respect of Company staff;
36. represent the company in all dealings with the trade union organisations of both employees and providers of labour and sign agreements with them in the name and on behalf of the Company up to a maximum value of Euro 5,000,000 for each agreement; attempt conciliation, make settlements and sign the minutes relating to settlements up to a maximum value of Euro 200,000 per single settlement;
37. representing the company in respect of insurance and social security entities;
38. signing on behalf of the Company the periodical statements submitted to social security and welfare bodies/institutions relating to the payment of the contributions due for employees and non-employees;
39. issuing on behalf of the Company extracts from payrolls and statements regarding personnel both for public administrations/bodies and for individuals, complying with the obligations that the Company must observe such as withholding tax, with the right *inter alia* to sign, for the purposes of these requirements, statements, certificates and any other document and certificate, including those referred to in Articles 1 and 7 of Italian Presidential Decree no. 600 of 29 September 1973, as subsequently amended and/or supplemented; submitting declarations to banks that grant loans to Company staff, confirming its commitment to withhold the repayment and/or residual debt instalments from the salary of the above staff and pay them to the banks;
40. granting, on behalf of the Company, severance indemnity advances and loans to employees for amounts no higher than the amount set aside by way of severance indemnity in relation to the beneficiary employee;
41. within the scope of the general guidelines established by the Board of Directors and in line with the provisions of the Company's annual budget and strategic plans, managing effectively the activities pertaining to the external relations and to the communication and image activities of the Company and its subsidiaries, as well as the institutional relations with public administrations, bodies and institutions, consortia even of a temporary nature, and public and private associations, as well as their members, partners and associates, including, in particular, relations with the Ministry of Economy and Finance, with the independent authority for the administration of state monopolies, with Borsa Italiana S.p.A. and with CONSOB;
42. within the limits of the powers delegated by the Board of Directors, being replaced by attorneys for specific acts or groups of acts and for whatever else needed for the good performance of the Company, and granting and revoking powers and proxies, even to employees of the Company or of its subsidiaries.

The Chairman, Ambrogio Caccia Dominioni, is the person who is chiefly responsible for managing the Issuer (Chief Executive Officer). The reason for assigning operational proxies to the Chairman of the Board of Directors lies in the fact that Ambrogio Caccia Dominioni is one of the key figures who has contributed significantly to the development of the Group and, since having years of experience in the field of operations of the Group, the fact that Ambrogio Caccia Dominioni is operational and has an important role in the management of the Company and the Group, representing an important resource for the Group.

Ambrogio Caccia Dominioni does not hold the office of director in any other issuer (not belonging to the Group).

During the same meeting of 30 April 2013, the Board of Directors appointed Alfredo Brignoli as Vice Chairman of the Board of Directors, granting him the powers under Article 21 of the Articles of Association and specifically, in case of absence or impediment, even of a temporary nature, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as corporate signature pursuant to Article 21 of the Articles of Association and the further powers indicated in paragraph 4.5.

### **Executive Committee**

The Company did not deem it necessary to set up an Executive Committee.

### **Reporting to the Board**

Pursuant to Article 19 of the Articles of Association, the delegated bodies must report promptly to the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, during the board meetings, on the activity carried on, on the overall operating performance and outlook, and on transactions of most significance, either due to their size or nature, carried out by the Company and its subsidiaries.

The Directors report to the Board of Auditors on the business carried on and on the major economic, financial and equity transactions performed by the company or by the subsidiaries; specifically, they report on the transactions in which one or more Directors have an interest, on their own or on behalf of a third party, or those influenced by the subject that exercises management and co-ordination activities. Reporting is usually carried out during Board meetings at least on a quarterly basis: when special circumstances make it appropriate, it may also be made in writing to the Chairman of the Board of Statutory Auditors.

### **4.5 Other executive directors**

On 30 April 2013, the Board of Directors granted Alfredo Brignoli, Vice Chairman of the Board of Directors, the powers set forth in Article 21 of the Articles of Association and specifically, in case of absence or impediment, even of a temporary nature, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as corporate signature pursuant to Article 21 of the Articles of Association.

On 30 April 2013, the Board of Directors also granted Gianluca Bolelli the following powers:

1. buying, exchanging and executing any trade or transaction, including attachments, involving goods, machinery and property in general also recorded in the public records for a value no higher than Euro 2,000,000;
2. selling goods, machinery and property in general also recorded in the public records for a value no higher than Euro 5,000,000;
3. entering into contracts for the purchase of machinery is limited to acts that, individually, involve commitments for an amount no higher than Euro 1,500,000;
4. entering into – with all necessary clauses, including through arbitration – amending, terminating, transferring and gaining by way of transfer, lease agreements for periods no longer than nine years;
5. participating in tenders issued by State Administrations, by public and private bodies for the supply of goods and services, submitting bids and, if awarded the contract, signing contracts for a value no higher than Euro 1,000,000;

6. entering into – with all appropriate clauses, including through arbitration – amending and terminating contracts regarding rental, transportation, contract, gratuitous loan, supply, and work contracts relating to the provision of services in general, insurances, brokerages, fees, shipping, agency agreements and sales distribution, deposit with the State Administration, with public bodies and with private individuals and, in particular, with the Administration of the Ferrovie dello Stato (Italian Railways) for an amount no higher than Euro 1,000,000;
7. signing and withdrawing bank approvals relating to import transactions, signing and affixing stamps on invoices, on movement certificates, and on requests and declarations required for the transactions stated above;
8. performing all banking transactions and therefore taking out loans in general and in any form, including instructions drawn from bank accounts, even overdrawn accounts, negotiating and accepting overdraft facilities with individual banks, it being pointed out that the request for non self-liquidating credit lines for a single amount greater than Euro 4,000,000 is reserved to the Board; requesting sureties from banks and providing the corresponding endorsements, and requesting the opening of documentary credits available in Italy and abroad;
9. endorsing, collecting and receipting promissory notes; issuing bills of exchange vis-à-vis third parties;
10. requesting the issue, accepting and endorsing for transfer and as guarantee certificates representative of goods;
11. requesting the issuance of bills of exchange up to Euro 100,000 for each individual document;
12. buying, selling or providing as collateral government securities or equivalent;
13. undertaking actions and transactions involving the Office of Public Debt, the Deposit and Loans Fund, the Offices of the Treasury, the Issuing Institution, post and telegraph offices, customs, and railway, shipping, transportation, insurance companies as well as any private or public administration or even tax offices including the offices of the State, Regions and Local Authorities, with the power, among others, to submit statements, carrying out, where appropriate, the related payments, filing complaints, collecting and assigning receivables under any title, for amounts no higher than Euro 2,000,000, receiving goods, securities, packages, valuables, effects, letters (including registered or insured post), granting and removing easements, collecting sums, payment orders, treasury bills, money orders, cheques of any kind, security deposits of any nature, issuing valid receipts and discharges;
14. attending and bidding at auctions, even court-appointed, undertaking and awarding contracts and supplies, executing all transactions and entering into all deeds and contracts with the relevant counterparties for amounts no higher than Euro 1,500,000;
15. issuing declarations of conformity and suitability, to all intents and purposes, for works carried out by third parties, subject to their inspection and testing, checking the progress of the works for the clearance of accounts, challenge any non-compliance and entering into settlements;
16. having deeds of protest raised, applying for injunctions, seeing to preventive and executive acts, intervening in bankruptcy proceedings and lodging claims declaring their truth;
17. entering into collective bargaining agreements with trade unions and/or workers' associations, settling trade union disputes;
18. signing the withholding tax certificates issued to employees and self-employed workers, pursuant to Article 3, paragraph 1 of Italian Presidential Decree no. 600 of 29 September 1973;
19. hiring, dismissing and promoting employees, workers, managers and executives, both for employment and self-employment relationships, determining relevant duties, remuneration and any form of incentive;
20. granting general and *ad negotia* powers of attorney for individual business or for special categories of business, as well as procedures to individual employees of the company within the limits of their powers;
21. representing the company before any judicial, administrative, tax, ordinary and special court, in any proceedings and before all courts and tribunals, therefore also before the Council of State, the Supreme Court of Cassation and the Constitutional Court, with power to sign verbal or written petitions and appeals, for any matter, by promoting and supporting actions, including administrative, legal, cognizance and enforcement



actions, as well as bankruptcy and moratorium agreement proceedings, carrying out all related formalities and issuing powers of attorney and special mandates to lawyers, general and special attorneys for lawsuits and whatever else necessary for any dispute arising in relation to the business activities.

22. signing Company correspondence relating to the conferred powers.

#### **4.6 Independent directors**

On 12 March 2015, the Board of Directors verified the independence requirements of the Directors qualified as such, with reference to the principles established by the Self-Regulatory Code of Conduct and by the Consolidated Law.

With the approval of the Board of Statutory Auditors, the Board decided to assess positively the presence of such requirements of Directors Gioacchino Attanzio, Sergio Arnoldi, Guido Giuseppe Maria Corbetta and Leonardo Giuseppe Marseglia (resigned on 26 March 2015).

On the same date, the Board of Statutory Auditors assessed positively the correct application of the criteria and procedures used by the Board to ascertain the independence of its members.

During the Financial Period, the Independent Directors met without the other Directors, upon invitation by the Lead Independent Director. During the meeting, the Independent Directors checked that the Company's activity complied with the Code, confirmed that the documentation drawn up for the Board of Directors was submitted within the deadlines requested by the Code, confirmed that during the Board meetings ample information was given on the performance of the Company, took note that the information flow addressed to them in relation to the Board meetings was complete and timely, and acknowledged that the Control and Risk Committee and the Remuneration Committee had been involved in matters falling within their competence during the year.

#### **4.7 Lead independent director**

On 30 April 2013, since the conditions provided by the Code were met, i.e. if the Chairman was chiefly responsible for managing the Issuer (Chief Executive Officer), the Board appointed an Independent Director as lead independent director.

Director Gioacchino Attanzio was called to this task. The lead independent director is a point of reference and coordination for the requests and suggestions of the non-executive and especially non-independent Directors. The lead independent director also cooperates with the Chairman of the Board of Directors in order to ensure that the Directors receive complete and timely information flows. He also has the power to convene, autonomously or at the request of other Directors, special meetings involving only the independent Directors to discuss issues considered of interest with respect to the operation of the Board of Directors or to corporate management. To this end, during the Financial Period, the lead independent director, in addition to carrying out ordinary information activities decided on his own initiative to convene a meeting for independent Directors only.

### **5. PROCESSING CORPORATE INFORMATION**

In compliance with the provisions of the Self-Regulatory Code of Conduct, in addition to the provisions set forth in Articles 114, seventh paragraph and 115-*bis* of the Consolidated Law on Finance (T.U.F.), as well as Article 152-*sexies et sequitur* of the Issuers' Regulations, on 23 February 2010, the Board of Directors resolved to establish a special office for managing communications to the Market on Internal Dealing and to approve its code of conduct. This code identifies the so-called "significant persons" and regulates the methods of communication to CONSOB and to the public of the transactions carried out by them and concerning shares issued by the listed company or other financial instruments related to them.

Moreover, the Board resolved to adopt the Procedure concerning corporate communications presented during the meeting of 23 February 2010.

Both resolutions were effective as from 1 July 2010, first day of listing.

Therefore, following the listing, in order to raise the awareness of all Personnel to the related issues, the Chairman and Chief Executive Officer, Mr. Caccia Dominioni, approved on 5 July 2010 the procedure for internal

management and external communication of documents and information concerning the Issuer, with a special reference to inside information.

This procedure, called *Corporate Communication Policy*, considering the sensitive nature of the subject matter, was delivered to each employee and made available on the Company's Intranet.

## **6. INTERNAL BOARD COMMITTEES (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))**

The establishment and operation of the committees within the Board of Directors meet the following criteria, defined by the Self-Regulatory Code of Conduct of Borsa Italiana, which the company has decided to adopt:

- a) committees consist of no less than three members. However, in the issuers whose board of directors consists of no more than eight members, the committees can consist of only two directors, as long as they are independent; committee works are coordinated by a chairman;
- b) the tasks of the individual committees are established by way of the resolution with which they have been established and can be supplemented or amended by subsequent resolution by the board of directors;
- c) the functions that the Code assigns to different committees can be distributed in a different way or entrusted to a number of committees lower than the one contemplated, provided that the composition rules indicated each time by the Code are observed and the achievement of the underlying objectives is ensured;
- d) the meetings of each committee are recorded;
- e) in the performance of their functions, the committees have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants, within the terms established by the board of directors. The issuer places adequate financial resources for the performance of their tasks at the disposal of the committees, within the limits of the budget approved by the board;
- f) subjects who are not members can attend the meetings of each committee upon invitation by the committee, including other members of the board or of the issuer's structure, with reference to single matters on the agenda;
- g) the issuer provides adequate information, within the report on corporate governance, on the establishment and composition of the committees, on the contents of the office entrusted to them and on the activity actually carried out during the financial period, specifying the number of meetings held and the relevant attendance percentage of each member.

On 30 April 2013, the Board of Directors set up 3 internal committees: the Remuneration Committee, the Control and Risk Committee and the Appointment Committee.

Each Committee refers periodically to the Board on the activities carried out.

The Control and Risk Committee consists of 3 non-executive members, including two independent members and specifically:

- Sergio Arnoldi (Chairman)
- Gianluca Bolelli (Member)
- Gioacchino Attanzio (Member)

The Remuneration Committee consists of 3 non-executive members, including two independent members and specifically:

- Gioacchino Attanzio (Chairman)
- Caterina Caccia Dominioni (Member)
- Sergio Arnoldi (Member)

The Appointment Committee consists of 3 non-executive members, including two independent members and specifically:

- Sergio Arnoldi (Chairman)
- Gioacchino Attanzio (Member)
- Caterina Caccia Dominioni (Member)

It should also be noted that according to the provisions of the resolution of 11 November 2010 regarding the Procedure for Related Party Transactions, on 30 April 2013 the Board of Directors resolved to entrust the Control and Risk Committee with the tasks of the Committee for Related Party Transactions indicated in the procedure for related party transactions (see paragraphs 10 and 12 of this Report).

## **7. APPOINTMENT COMMITTEE**

On 9 November 2012, the Board decided to establish a committee to propose candidates for the appointment of board directors (the “**Appointment Committee**”) which allows the Company to adjust the system of corporate governance to all the amendments made by the Self-Regulatory Code of Conduct.

The appointment of members took place on 30 April 2013, as integrated on 12 March 2015.

The members of the Appointment Committee are Directors Sergio Arnoldi (Committee Chairman), Gioacchino Attanzio, both independent directors, and Caterina Caccia Dominioni (application criterion 4.C.1., letter a of the Self-Regulatory Code of Conduct). The Chairman is in charge of coordinating the Appointment Committee’s activities. Minutes of the Committee meetings are drawn up regularly.

During the Financial Period, the Appointment Committee met one time with all the members to assess the possible co-optation of the independent director who resigned on 1 August 2014, to assess the opportunity to provide for a regulation on the number of offices and with regard to an annual self-assessment method concerning the composition of the Board of Directors. A total of 3 meetings are envisaged for the 2015 financial period, one of which has already been held.

In addition to the duties prescribed by the Self-Regulatory Code of Conduct, the Appointment Committee provides proposals and consultancy to the Board in relation to:

- a) appointment, falling within the competence of the Board, Company executives and of the members of subsidiary bodies;
- b) succession plans for Company executives with strategic responsibilities; annual self-assessment of the Board and its committees;
- c) guidance on the number of offices of Directors; evaluation of their requirements and of any activities carried out in competition.

During the Financial Period, the Appointment Committee had access to the all company information and functions necessary for performing its duties and made use of external consultants.

Financial resources were not allocated to the Appointment Committee since it uses the Company’s means and structures to perform its duties.

## **8. REMUNERATION COMMITTEE**

In order to adapt its corporate governance model to the recommendations contained in Article 6.P.3. of the Self-Regulatory Code of Conduct, the Board of Directors of the Issuer, in the meeting of 23 February 2010, resolved, among other things, to set up a remuneration committee (the “**Remuneration Committee**”).

The Board of Directors meeting of 30 April 2013 appointed the following non-executive Directors as members of the Remuneration Committee: Gioacchino Attanzio (Chairman), Sergio Arnoldi, both independent Directors, and Caterina Caccia Dominioni.

On the basis of their curriculum vitae, Sergio Arnoldi and Gioacchino Attanzio have the appropriate knowledge and experience in accounting and financial matters, as well as in remuneration policies.

The Chairman coordinates the work of the Remuneration Committee. Minutes of the meeting are regularly drawn up. During the Financial Period, the Remuneration Committee met twice. The percentage of participation in these meetings by the Remuneration Committee members was the following: Gioacchino Attanzio 100%; Sergio Arnoldi 100%; Caterina Caccia Dominioni 100%. The Remuneration Committee meetings lasted on average 1 hour. The Chairman of the Board of Directors, Ambrogio Caccia Dominioni, the Chairman of the Board of Statutory Auditors, Simone Cavalli, and the Statutory Auditor Alessandra De Beni also took part in the meetings held during

the Financial Period. A total of 3 meetings are envisaged for the 2015 financial period, one of which has already been held.

The Remuneration Committee is an advisory and proactive body with the main task of formulating to the Board of Directors proposals for the remuneration of Chief Executive Officers and of those holding special offices, as well as, on the advice of the Chief Executive Officers, to determine the remuneration criteria for remuneration of the Company's executives with strategic responsibilities. The Committee is entrusted with the task of evaluating periodically the adequacy, overall compliance and concrete application of the remuneration policy, availing itself – with regard to executives with strategic responsibilities – of the information provided by the Chief Executive Officer.

The establishment of the Remuneration Committee ensures the broadest information and transparency on the remuneration of Chief Executive Officers and its calculation methods. However, it is understood that, in compliance with Article 2389, paragraph 3, of the Italian Civil Code, the Remuneration Committee has only proposing functions whereas the power to determine the remuneration of the Directors vested with special tasks pertains in any case to the Board of Directors, after hearing the opinion of the Board of Statutory Auditors.

The Remuneration Committee is in charge of the tasks set forth in Article 6.C.5 of the Self-Regulatory Code of Conduct and, in particular:

- (a) it submits proposals or expresses opinions to the Board of Directors on the remuneration of Chief Executive Officers and other Directors holding special offices, monitoring the implementation of the decisions adopted by the Board itself;
- (b) it periodically evaluates the criteria adopted for the remuneration of executives with strategic responsibilities, ensures that these criteria are applied based on the information supplied by the Chief Executive Officers and makes general recommendations to the Board of Directors in this regard;

With reference mainly to the stock options and to the other share-based incentive plans, the Remuneration Committee submits to the Board of Directors its recommendations with reference to their use and to all the important technical aspects related to their formulation and application. In particular, the Remuneration Committee formulates proposals to the Board of Directors on the incentive plan considered advisable and monitors the trend and implementation of the plans over time.

In the performance of their functions, the members of the Remuneration Committee will have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants. It is pointed out that the Remuneration Committee did not make use of any external consultant for the performance of its tasks during the Financial Period.

No Director attends the meetings of the Remuneration Committee where proposals are submitted to the Board of Directors regarding his/her remuneration.

Within the meetings held during the Financial Period, the Remuneration Committee assessed and provided its opinion on the approval of the remuneration policy and on the amendments to the 2014 variable incentive plan.

Financial resources were not allocated to the Remuneration Committee since it uses the Company's means and structures to perform its duties.

## **9. REMUNERATION OF DIRECTORS**

Information relating to the remuneration of Directors is contained in the report on remuneration, drawn up pursuant to Articles 123-*ter* of the Consolidated Law on Finance (T.U.F.) and 84-*quater* of the Issuers' Regulations as well as in compliance with the recommendations of Article 6 of the Code, available to the public on the Company's website ([www.tesmec.com](http://www.tesmec.com)) and with the other methods provided for by the regulations in force.

### **Indemnity of directors in the event of resignation, dismissal or termination of the relationship as a result of a public purchase offer (pursuant to Article 123-*bis*, paragraph 1, letter i), Consolidated Law on Finance (T.U.F.))**

No agreements have been entered into between the Issuer and the Directors that provide for an indemnity in the event of resignation or dismissal/termination without just cause or if the employer-employee relationship is terminated following a public purchase offer.

With reference to the Financial Period, no cases of termination of office and/or termination of a relationship with an executive director or general manager were recorded.

For further information, please refer to the report on remuneration, drawn up pursuant to Articles 123-*ter* of the Consolidated Law on Finance (T.U.F.) and 84-*quater* of the Issuers' Regulations as well as in compliance with the recommendations of Article 6 of the Code, available to the public on the Company's website ([www.tesmec.com](http://www.tesmec.com)) and with the other methods provided for by the regulations in force.

## 10. CONTROL AND RISK COMMITTEE

In order to adapt its corporate governance model to the recommendations contained in Article 7.P.3., letter a), no. (ii) and 7.P.4 of the Self-Regulatory Code of Conduct, the Board of Directors of the Issuer, during the meeting of 30 April 2013, resolved to set up a control and risk committee (the “**Control and Risk Committee**”), composed of Directors Sergio Arnoldi (Committee Chairman), Gioacchino Attanzio (both independent) and Gianluca Bolelli (non-executive Director).

The Chairman coordinates the work of the Control and Risk Committee. Minutes of the meeting are regularly drawn up. During the Financial Period, the Control and Risk Committee met 6 times. The percentage of participation in these meetings by the Control and Risk Committee members was the following: Sergio Arnoldi 100%; Gioacchino Attanzio 100%; Gianluca Bolelli 85%. The Control and Risk Committee meetings lasted on average 1.5 hours. A total of 6 meetings are envisaged for the 2015 financial period, two of which have already been held.

The Chairman of the Board of Statutory Auditors (or an authorised Statutory Auditor) and the Director in charge of the internal control and risk management system, in addition to other individuals if necessary (e.g.: Head of Internal Audit, Executive responsible for preparing the Company's accounting statements, Chairman of the Supervisory Body) also attend the meetings, in this case upon invitation by the Control and Risk Committee and with reference to each matter on the agenda.

In assisting the Board of Directors, the Control and Risk Committee is in charge of the tasks and functions set forth in Article 7.C.2 of the Self-Regulatory Code of Conduct and, in particular:

- a) it evaluates, together with the Executive responsible for preparing the Company's accounting documents and the auditing firm, after hearing the External Auditor and the Board of Statutory Auditors, the proper use of the accounting standards adopted and their homogeneity for the purposes of preparing the consolidated financial statements;
- b) it expresses opinions on specific aspects concerning the identification of the main business risks;
- c) it examines the periodical reports regarding the assessment of the internal control and risk management system and the reports of particular relevance prepared by Internal Audit;
- d) it monitors the independence, adequacy, effectiveness and efficiency of Internal Audit;
- e) it may request Internal Audit to carry out audits on specific operational areas, while informing the Chairman of the Board of Statutory Auditors;
- f) it reports to the Board of Directors, at least every six months, when the financial statements and half-year reports are approved, on the activities carried out and on the adequacy of the internal control and risk management system;
- g) it receives information from the Board regarding the execution of the internal control and risk management tasks entrusted to it by the Code.

When it carries out its function as Committee for Related Party Transactions, whenever requested, the Control and Risk Committee provides a prior opinion to the Board of Directors upon approval of the Related Party Transactions as defined in the Procedure for Related Party Transactions implemented by the Company.

The Control and Risk Committee carries out its task in a completely autonomous and independent way both with regard to Chief Executive Officers - as to the issues of safeguarding company integrity - and with regard to the independent auditors - as to assessment of the results set out by them in the report and in the letter of suggestions.

The professional experience of the current members of the Committee ensures adequate knowledge in accounting, financial and risk management matters within the Committee itself.

The meetings of the Control and Risk Committee were recorded on a regular basis and special reports produced by Internal Audit were brought to the attention of the Control and Risk Committee and of the Board of Directors.

In performing their functions, the members of the Control and Risk Committee have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants, under the terms established by the Board.

The main activities carried out by the Control and Risk Committee during the Financial Period are reported below:

- periodical meetings with the Executive responsible for preparing the Company's accounting documents and the Auditing Firm for sharing the accounting standards used and for monitoring the progress of the auditing activities;
- periodical meetings with the Board of Statutory Auditors;
- review of the procedure for Related Party Transactions and related Transactions;
- review of the Annual Corporate Governance Report for the 2013 Financial Period;
- review of Subsidiaries having strategic relevance;
- review of the Safety and Environmental Report and of the activities carried out by the Safety and Environment Manager;
- monitoring of the Organisation, Management and Control Model adopted by the Company and periodical meetings with the Supervisory Body;
- periodical meetings with the Head of Internal Audit and approval of the Activity Plan;
- periodical monitoring of backlog and turnover, with reference to the single functions attributed to it.

Financial resources were not allocated to the Control and Risk Committee since it uses the Company's means and structures to perform its duties.

Pursuant to Article 7.P.3 of the Self-Regulatory Code of Conduct, on 30 April 2013, the Board of Directors appointed the Director in charge of the internal control and risk management system in the person of Caterina Caccia Dominioni.

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

The internal control and risk management system is defined as a set of rules, procedures and organisational structures allowing, through an appropriate process for the identification, measurement, management and monitoring of the main risks, safe and fair management of the company consistent with the objectives.

The Board of Directors is responsible for the internal control and risk management system. It defines the guidelines for internal control and business risk management and verifies its operation on a regular basis with the help of the Control and Risk Committee and the Head of Internal Audit.

An efficient internal control and risk management system ensures the protection of company assets, the protection of the Company's assets, the efficiency and effectiveness of company operations, the reliability, soundness, accuracy and timeliness of financial information, and the observance of laws and regulations.

Considering the characteristics of the company and in relation to the risk profile assumed, during the Financial Period, the Board of Directors of the Company considered the current internal control and risk management system to be appropriate and effective.

The Board of Directors defines the guidelines for the internal control and risk management system and ensures that its own evaluations and decisions relating to the internal control system, to the approval of financial statements and half-year reports and to the relations between the issuer and the external auditor are supported by adequate investigation.

On 21 February 2014, the Head of Internal Audit, Enrica Vasini, submitted the 2014 planned activities and the 2014 audit plan to the Control and Risk Committee. On the same date, upon presentation of its yearly report, the

Control and Risk Committee informed the Board of the work plan drawn up by the Head of Internal Audit in the presence of the members of the Board of Statutory Auditors.

### **Key characteristics of existing internal control and risk management systems in relation to the process of financial reporting pursuant to Article 123-bis, paragraph 2, letter b), Consolidated Law on Finance (T.U.F.)**

The need for continuous monitoring in compliance with the requirements of Italian Law 262/2005 focused on:

- ensuring that the Internal Control System currently in place is appropriate to provide reasonable certainty on the fair and correct representation of the economic and financial information produced;
- drawing up adequate administrative and accounting procedures for preparing the financial statements and the consolidated financial statements and every other financial communication.

In defining the size and variables to be considered for the analysis and evaluation requirements of the project, in the absence of explicit methodological instructions contained in Italian Law 262/2005, an approach that is widely accepted at international level was used; this approach was used for compliance activities required by the Sarbanes Oxley Act of 2002 (Section 404).

This approach, defined by the Public Company Accounting Oversight Board (PCAOB) in the "Auditing Standard no. 2" document, provides directions to analyse as completely as possible the internal control system in order to obtain comprehensive evidence of its operation.

These directions concern:

- the extent of the area on which to analyse and evaluate the controls, defined on the basis of the relevant weight that the variables to be considered must have on the main items of the financial statements;
- the quantitative dimension that the financial statement items must have in order to be considered relevant;
- the determination of the processes for which it is considered appropriate to assess the controls.

After defining the relevant business processes, they were analysed in detail to define the mapping of activities and associated risks.

On the basis of the identified (related) risks, the existing controls were reported whereas any control still missing or to be optimised was defined.

This project led to implementing an adequate control structure aimed at mitigating the risks that arose during mapping, thus bringing the company's exposure within limits in line with the "Risk Tolerance" considered acceptable by the Company Board.

### **11.1 Director in charge of internal control and risk management system**

On 30 April 2013, the Board of Directors of the Company, in compliance with Article 7.P.3 of the Self-Regulatory Code of Conduct resolved to appoint Caterina Caccia Dominiononi as Director in charge of the internal control and risk management system, assigning her, in compliance with Article 7.C.4 of the Self-Regulatory Code of Conduct the task of:

- identifying the main business risks, by taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them on a regular basis to the Board of Directors;
- implementing the guidelines defined by the Board of Directors, by designing, implementing and managing the internal control system and constantly verifying its overall adequacy, effectiveness and efficiency; seeing also to the adaptation of this system to the trend of operating conditions and of the legislative and regulatory framework;
- requesting Internal Audit to conduct audits on specific operational areas and on the compliance with internal rules and procedures in executing business operations, while simultaneously informing the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;

- reporting promptly to the Control and Risk Committee (or the Board of Directors) with regard to problems and critical issues arising from performance of its activity or which it has become aware of, in order for the Committee (or Board) to take the necessary actions.

During the course of the Financial Period, the Director in charge of the internal control and risk management system, alongside carrying out the ordinary tasks listed above, also implemented and transmitted to Internal Audit the guidelines defined by the Board on the management of the internal control system, verifying its actual implementation and consideration.

## 11.2 Head of Internal Audit

The Board of Directors of 10 May 2013, in the presence of the Board of Statutory Auditors, appointed Erica Vasini as Head of Internal Audit, after having assessed her curriculum vitae and terms of recruitment with the Control and Risk Committee.

In compliance with Article 7.C.5 of the Self-Regulatory Code of Conduct, the Head of Internal Audit has the task, *inter alia*, of:

- verifying – on an ongoing basis and also in relation to specific needs and in compliance with international standards – the operations and the adequacy of the internal control and risk management system, by way of an audit plan, approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;
- carrying out her tasks by acting in accordance with the criteria of timeliness, reliability and efficiency and by reporting the results with objectivity and impartiality;
- submitting periodical reports containing adequate information on her activities to the Chairmen of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the Director in charge of the internal control and risk management system.

The Head of Internal Audit of the Company is not in charge of any operational area and reports directly to the Board of Directors.

During the Financial Period, the Internal Auditor:

- verified – on an ongoing basis and also in relation to specific needs and in compliance with international standards – the operations and the adequacy of the internal control and risk management system, by way of an audit plan, approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;
- had direct access to all the information useful for carrying out her task;
- prepared and submitted periodical reports to the Chairmen of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system, containing adequate information on her activities, on how risk management was conducted and on compliance with the established plans for their containment. The periodical reports contain an evaluation of the suitability of the internal control system for achieving an acceptable overall risk profile and of the risk management system;
- prepared timely reports on events of major importance and submitted them to the Chairmen of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- verified as part of the audit plan, the reliability of the information systems including the accounting systems.

Financial resources were not allocated to the Head of Internal Audit since she uses the Company's means and structures to perform her duties. During the Financial Period, no internal audit activities were entrusted to external subjects.



### 11.3 Organisational Model pursuant to Legislative Decree 231/2001

By way of resolution of the Board of Directors of 23 February 2010, the Company adopted a new Organisational, Management and Control Model (the "**Model**") aimed at ensuring fair and transparent conditions in running the company business, in order to protect its own position and image and those of the companies of the Group, the expectations of its own shareholders and the work of its own employees. The Model was tailored to the specific needs determined by the coming into force of Legislative Decree no. 231/2001.

The adoption of the Model is a fundamental requirement for listing on the STAR segment of Borsa Italiana.

The Supervisory Body, which is in charge of monitoring the operation and observance of the Model, is composed of Lorenzo G. Pascali, as Chairman of the Body, Stefano Chirico, Statutory Auditor of the Company, and Maurizio Brigatti, appointed on 2 August 2013, in replacement of Mr. Tricomi (the "**Supervisory Body**"). The Supervisory Body shall hold office until the Board of Directors that appointed it holds office (therefore until the approval of the Financial Statements as at 31 December 2015) and is eligible for re-election.

The Supervisory Body met 5 times during the Financial Period in order to verify the adequacy of the Model in relation to the development of the regulations, judicial interpretations and any different configuration of business risks.

The specific Risk Assessment task carried out during the update of the Model led to considering the following offences as sensitive for the company and are thus included in the Organisational, Management and Control Model:

- offences committed in relationships with the public administration;
- corporate crimes, including "bribery among private individuals";
- offences of market abuse;
- transnational offences, organised crime offences and induction to make statements or to make false statements to the judicial authorities;
- offences relating to health and safety at work;
- offences of receiving, laundering and using money, goods or benefits of unlawful origin;
- crimes with the purpose of terrorism;
- crimes against individuals;
- computer crimes;
- counterfeiting and crimes against industry and trade;
- offences relating to violation of copyright;
- environmental crimes;
- use of illegally staying third-country citizens.

The Organisational, Management and Control Model is available on paper at the Human Resources Department for consultation, as well as available on the company's Intranet.

### 11.4 Independent Auditors

The Company appointed Reconta Ernst & Young S.p.A. to carry out the auditing, which refers both to the auditing of the financial statements and to the interim auditing concerning the regular keeping of the accounts.

The office also includes the powers provided by the Italian Civil Code, as amended by Italian Legislative Decree 6 of 17 January 2003 on auditing and was entrusted until the approval of the financial statements as at 31 December 2018 by resolution of the Shareholders' Meeting on 23 February 2010, as approved by the Board of Statutory Auditors.

### **11.5 Executive responsible for preparing the Company's accounting documents**

Pursuant to Article 19 of the Articles of Association, the Board of Directors, subject to obtaining the mandatory opinion of the Board of Statutory Auditors, appoints the Executive responsible for preparing the Company's accounting documents pursuant to Article 154-*bis* of the Consolidated Law on Finance (T.U.F.), granting him adequate powers and means to perform the duties assigned to him.

The executive responsible for preparing the Company's accounting documents must have the requirements of professional standing characterised by qualified experience in administrative and auditing tasks or in managerial or advisory functions, also in relation to the function of drafting and control of company and accounting documents.

Upon appointment, the Board ascertains whether the Executive responsible for preparing the Company's accounting documents meets the requirements demanded by law and by the Articles of Association.

Moreover, the Board of Directors ensures that the Executive responsible for preparing the Company's accounting documents has adequate powers and means to perform the duties assigned to him pursuant to the law, as well as compliance with administrative and accounting procedures.

On 23 February 2010 the Company appointed Andrea Bramani, Tesmec's Administrative and Financial Manager, as the Executive responsible for preparing the Company's accounting documents.

The Executive is assisted by competent company administrative functions (especially the Administration and Financial Statements functions)

### **11.6 Coordination among subjects involved in the internal control and risk management system**

The Company has identified tangible coordination and efficiency methods for the subjects involved in the internal control and risk management system, providing for jointly held meetings. More specifically, the members of the Board of Statutory Auditors, the Director in charge of the internal control and risk management system, the Head of Internal Audit and the Executive responsible for preparing the Company's accounting documents usually take part in the Control and Risk Committee's meetings.

## **12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

On 11 November 2010, the Board of Directors, subject to the favourable opinion expressed unanimously by the Committee consisting of the Members of the Supervisory Body, approved a Procedure for Related Party Transactions governing the rules, procedures and principles to ensure transparency and the substantial and procedural correctness of Related Party Transactions carried out by the Company, directly or through companies controlled by it, in accordance with the provisions of the Related Party Regulation. By way of resolution of 14 March 2014, the Board of Directors reviewed and updated the Company's Procedure for Related Party Transactions.

It should also be noted that the above Procedure was applied to the transactions approved as from 1 January 2011 and that, as from that date, the Code on Related Party Transactions previously adopted was cancelled.

The aim of the Procedure for Related Party Transactions, available on the Company website, is to define the rules, procedures and principles to ensure transparency and the substantial and procedural correctness of transactions with related parties carried out by the Company, directly or through subsidiaries.

### **12.1 Related Party Transactions – investigation and approval**

Since the Company is a "small-sized company" pursuant to Article 3, paragraph 1, letter f), Related Party Regulation, it makes use of the right to apply, in compliance with Article 10 of the Related Party Regulation, to the Related Party Transactions of major importance, the procedure established for the Related Party Transactions of Minor Importance illustrated below and contained in Article 5 of the Procedure. The Board of Directors of the Company or the competent delegated body approves the Related Party Transactions, subject to the reasoned and non-binding opinion of the Committee for Related Party Transactions, on the interest of the Company to carry out the Transaction as well as on the convenience and substantial correctness of the relevant conditions.

In order to allow the Committee for Related Party Transactions to issue a reasoned opinion on this matter:

(i) the Function Manager must provide in reasonable advance to the Company Secretary's Office complete and adequate information concerning the Related Party Transaction. In particular, such information must concern the nature of the relation, the main terms and conditions of the Transaction, the timing, the reasons underlying the Transaction as well as any risk for the Company and its subsidiaries. The Company Secretary's Office sends this information to the Committee; and

(ii) if the Committee for Related Party Transactions deems it necessary or appropriate, it may avail itself of the advice of one or more independent experts of its own choice. Experts are selected among professionally recognised persons competent on these subjects of interest, whose independence and absence of conflict of interest is assessed.

The Committee for Related Party Transactions must issue its opinion in time for the approval of the Related Party Transaction and must promptly provide the body competent to decide upon the approval of the Related Party Transaction with adequate information concerning the investigation carried out on the Transaction to be approved. Such information must concern at least the nature of the relation, the terms and conditions of the Transaction, the timing, the valuation procedure used and the reasons underlying the Transaction as well as any risk for the Company and its subsidiaries. The Committee must also send to the body competent to decide the approval of the Transaction also the other opinions issued in connection with the Transaction.

## **12.2 Related Party Transactions carried out by means of subsidiaries**

Transactions carried out by means of subsidiaries must be subject to the non-binding opinion of the Committee for Related Party Transactions, which issues its opinion in time in order to allow the competent body to authorise, examine or evaluate the Transaction.

## **12.3 Application of the Procedure for Related Party Transactions**

The Management Board has set up internally a Committee for Related Party Transactions consisting of three non-executive board directors and predominantly independent, appointed by the Board of Directors in the persons of Gioacchino Attanzio – Chairman – Sergio Arnoldi and Gianluca Bolelli. (see paragraph 10.1 of this Report).

The Company published two informative documents relating to a Related Party Transactions of Major Importance, one in 2011 and the second in 2013, available at [www.tesmec.com](http://www.tesmec.com) in the “Governance/Related Party Transactions” section.

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

The Shareholders' Meeting is vested with the appointment of the Statutory Auditors and the Chairman of the Board of Statutory Auditors. The procedures for presenting the lists with the proposals for appointment and voting are governed by the Articles of Association.

Pursuant to Article 22 of the current Articles of Association, the Board of Auditors consists of three Statutory Auditors and two Alternate Auditors who remain in office for three financial periods; their office terminates on the date the ordinary Shareholders' Meeting is convened to approve the financial statements relating to the third financial year of their office; they can be re-elected.

The Board of Directors in office was appointed by the Shareholders' Meeting of 30 April 2013 and will remain in office until approval of the financial statements ended 31 December 2015.

The members of the Board of Statutory Auditors are domiciled for this appointment at the premises of the Company.

All the members of the Board of Statutory Auditors have the requirements of professional and honourable standing required by Article 148 of the Consolidated Law on Finance (T.U.F.) and by the Implementation Regulation adopted by Decree of the Ministry of Justice no. 162/2000.

The members of the Statutory Board of Auditors are subject to the limits on the number of administration and control offices held established by CONSOB regulations.

Pursuant to Article 22 of the Articles of Association, the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the lists presented by the Shareholders, in accordance with the procedures set forth in the following paragraph, except for different and further provisions provided by mandatory rules of law or regulations.

The minority shareholders - which are not an associate or a subsidiary, direct or indirect, pursuant to Article 148, paragraph 2, of the Consolidated Law on Finance (T.U.F.) and relevant regulations – are entitled to elect a Statutory Auditor as Chairman of the Board, and an Alternate Auditor. The minority Statutory Auditors are elected at the same time of the other members of the supervisory body (except for cases of replacement), regulated later.

The Shareholders who, when the list is presented, own a stake - on their own or together with other Shareholders presenters - at least equal to the one determined by CONSOB pursuant to Article 147-ter, paragraph 1, of the Consolidated Law on Finance (T.U.F.) and in compliance with the provisions of the Issuers' Regulations, can present a list for the appointment of the members of the Board of Statutory Auditors.

Lists are filed at the registered office at least 25 (twenty-five) days before the date set for the Shareholders' Meeting convened to deliberate on the appointment of the Statutory Auditors. Moreover, lists must be made available to the public by the Company without delay and in any case at least 21 (twenty-one) days before the date set for the Shareholders' Meeting, under the terms prescribed by the laws in force.

The lists must contain the names of one or more candidates for the position of Statutory Auditor and of one or more candidates for the position of Alternate Auditor. The name of the candidates are marked in each section (Statutory Auditor section, Alternate Auditor section) by a progressive number and in numbers not exceeding the members to be elected.

The lists also contain, as an enclosure:

- a) indication of the identities of the shareholders who presented the lists and the percentage of the overall shareholding, proved by an appropriate certification, without prejudice to what is indicated by Article 147-ter, paragraph 1-bis, of the Consolidated Law on Finance (T.U.F.);
- b) a declaration of the shareholders other than those holding, jointly or otherwise, a controlling interest or a relative majority interest, certifying the absence of any associate or subsidiary relation contemplated by Article 144-quinquies of the Issuers' Regulations with the latter;
- c) an exhaustive document regarding the personal and professional characteristics of the candidates as well as their declaration certifying the possession of the requirements provided by law, and acceptance of candidature, accompanied by the list of management and control positions held by them in other companies;
- d) any additional or different privacy declaration, informative report and/or document provided for by law and by applicable regulations.

The lists presenting a total number of candidates equal to or greater than three must include candidates belonging to both genders, in such a way that at least one third (rounding up, if necessary, to the higher integer) of the candidates for the position of Statutory Auditor and at least one third (rounding up, if necessary, to the higher integer) of the candidates for the position of Alternate Auditor belongs to the less represented gender.

The lists presented without observing the provisions above will be considered as having not been presented.

In the event in which, on the deadline for the presentation of the lists, only one list has been presented or only lists presented by shareholders related to one another on the basis of the applicable regulations, lists may be presented up until the fifth day following said date. In this case, the thresholds provided above for presenting the lists are reduced by half.

A shareholder cannot present or vote more than one list, albeit by proxy or through a trust. The shareholders belonging to the same group and the shareholders that join a shareholders' agreement concerning shares of the Issuer, cannot present or vote more than one list, albeit by proxy or through a trust. Memberships and votes in violation of this prohibition will not be attributable to any list. Each candidate can come up in one list under penalty of ineligibility.

The Statutory Auditors are elected as follows:

(i) two Statutory auditors and an Alternate auditor are drawn from the list that obtained the highest number of votes ("**Majority List for the Appointment of Statutory Auditors**"), in the sequential order in which they appear on the list;

(ii) a Statutory Auditor, who must act as Chairman of the Board of Statutory Auditors ("**Minority Auditor**") and an Alternate Auditor ("**Minority Alternate Auditor**") are drawn from the second list that obtained the highest number of votes and that is not connected directly or indirectly with the Shareholders who presented or voted the Majority List pursuant to the applicable provisions, in the sequential order in which they appear on the list".

In the event that the lists obtain the same number of votes, the list presented by shareholders owning the largest stake when the list is presented, or, subordinately, the one presented by the greatest number of shareholders, prevails.

If, with the procedures described above, the compliance of the composition of the Board of Statutory Auditors with the *pro tempore* regulations on gender balance in force is not ensured, the necessary replacements will be made, within the candidates for the position of Statutory Auditor of the Majority List, in the sequential order in which they appear on the list.

If only one list is presented, the Shareholders' Meeting will vote on it and if it obtains the relative majority of voters, without taking account of abstentions, all the candidates listed for these positions will be elected Statutory and Alternate Auditors. In this case, the Chairman of Board of Statutory Auditors is the first candidate as Statutory Auditor.

In the absence of lists, the Board of Statutory Auditors and its Chairman are appointed by the Shareholders' Meeting with the quorum required by law, in compliance with the *pro tempore* regulations on gender balance in force.

If, for any reason, the Majority Auditor is no longer available, he/she is replaced by the Alternate Auditor drawn from the Majority List for the Appointment of Statutory Auditors.

If, for any reason, the Minority Auditor is no longer available, he/she is replaced by the Minority Alternate Auditor.

The Shareholders' Meeting, as provided by Article 2401, paragraph 1 of the Italian Civil Code, appoints or replaces in compliance with the principle of necessary representation of minorities and in compliance with the *pro tempore* regulations on gender balance in force"

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))**

The Board of Directors in office was appointed by the Shareholders' Meeting of 30 April 2013 for three financial periods, i.e. until the date of the Shareholders' Meeting convened to approve the financial statements ended 31 December 2015.

During this Meeting and for the purposes of the renewal of the Board of Statutory Auditors, only one list was presented by the Company shareholders. The list presented by shareholder TTC S.r.l. indicated as candidates the individuals subsequently appointed to the Board of Statutory Auditors. On the basis of the results of the votes, the list presented by TTC S.r.l. obtained 98.99% of votes in relation to the voting share capital.

The Board of Statutory Auditors currently comprises:

- Simone Cavalli (Chairman)
- Stefano Chirico (Statutory auditor)
- Alessandra De Beni (Statutory auditor)
- Attilio Marcozzi (Alternate auditor)
- Stefania Rusconi (Alternate auditor)

During the Financial Period, the Board of Statutory Auditors met 9 times, 6 of which jointly with the Control and Risk Committee. The average duration of the meetings of the Board of Statutory Auditors was 2 hours and the percentage of participation was the following: Simone Cavalli 100%, Stefano Chirico 90% and Alessandra Beni 90%.

In the current year, 10 meetings are planned, 1 of which has already been held jointly with the Control and Risk Committee.

Information concerning the personal and professional characteristics of each Statutory Auditor currently in office is provided below:

Simone Cavalli, born in 1965 in Verona, graduated in Business and Economics from the University of Bergamo in 1992. He has been enrolled with the Register of Auditors since 2003.

Simone Cavalli began his professional career in 1992 at the auditing firm Arthur Andersen S.p.A., and was appointed executive officer and member of the Transaction Advisory Services in 1999.

Since 2004, Cavalli has been a partner of the Firm Studio per il Controllo Contabile - corporate analysis and assessment, where he deals with the auditing of separate and consolidated financial statements, accounting and financial due diligence, company valuations and consultancy services in the administration, finance and control area.

Stefano Chirico, born in 1967 in Milan, graduated from the Università Cattolica del Sacro Cuore of Milan with a degree in Economics and Banking in 1995. He has been enrolled with the Register of Chartered Accountants since 1996 and of Auditors since 1999. He is a partner of the firm with his name, Studio Chirico Commercialisti Associati. Stefano Chirico was also a member of the board of directors of Milan Polytechnic University (2008-2010), while upon authorisation of the Bank of Italy he was risk manager of a securities fund from 2007 until 2011.

Stefano Chirico has also been a member (former Chairman) of the committee for business consultancy of the Register of Chartered Accountants of Lecco. He is a member (former Chairman) of the board of auditors of the Chamber of Commerce, Industry, Trade and Agriculture of Lecco and held the position of auditor for Unioncamere Lombardia from 2005 to 2008.

Stefano Chirico is a consultant for the Court of Lecco and expert witness for bankruptcy proceedings and is registered with the Arbitrators / Mediators of CONSOB.

He is currently a member of 7 boards of directors and 17 boards of statutory auditors of several companies, including multinational groups and large-sized corporate groups.

Alessandra De Beni, born in Bergamo in 1958, graduated in 1982 in Economics and Commerce from the University of Bergamo. She has been enrolled with the Register of Chartered Accountants since 1986, of Technical Consultants of the Court of Bergamo since 1987 and of Auditors since 1995.

In 1987, after a period of collaboration with a major firm in Bergamo, Alessandra De Beni started to work as a self-employed professional and as consultant for the Court of Bergamo and Treviso. In the course of her work experience, she has held Board positions of responsibility and Statutory auditing roles in several companies.

Pursuant to Article 10 of the Self-Regulatory Code of Conduct, the Auditors operate autonomously and independently and, therefore, they do not “represent” the majority or minority of those who indicated or elected them.

The Auditors must maintain the documents and information acquired when carrying out their tasks strictly confidential, and must observe the procedure adopted for the external communication of documents and information concerning the company.

The Board of Statutory Auditors carries out the tasks and activities required by law. The Board of Statutory Auditors must meet at least every ninety days. The resolutions of the Board of Statutory Auditors are passed with the presence of the majority of the Statutory Auditors holding office and with the favourable vote of the majority of those present.

Moreover, the Auditors can collectively and individually ask the Directors for news and clarifications on the information received and more in general on the performance of company operations or certain business, as well as carry out at any moment inspections and controls and request information, as provided by the law. Two members of the Board of Auditors are also entitled, jointly, to convene the Shareholders' Meeting.

The Board of Statutory Auditors supervised the independence of the auditing firm, ensuring its compliance with prevailing laws and the nature and type of services other than auditing services provided to the Issuer and its subsidiaries by the Auditing Firm and the entities belonging to its network.

The Board of Statutory Auditors verified whether the independence requirements of the Auditors (established prior to their appointment) were still met, on the basis of the criteria provided for by the law and by the Self-Regulatory Code of Conduct. It also complied with the limit to the number of offices provided for by the Articles of Association and by Article 144-*terdecies* of the CONSOB Issuers' Regulations no. 11971, fulfilling – where required – CONSOB's reporting obligations during the year.

The Board of Statutory Auditors received from the Directors, with appropriate frequency, information about general operating performance and outlook, and about the activities carried out and the most important transactions from an economic, financial and equity related perspective performed during the financial period, also through subsidiaries. It verified that they were compliant with the law and the deed of incorporation and that they were not manifestly imprudent or risky, in potential conflict of interest or in contrast with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

In carrying out its activities, the Board of Statutory Auditors collaborated with the Head of Internal Audit and with the Control and Risk Committee.

## **15. INVESTOR RELATIONS**

In accordance with the provisions of Article 9 of the Self-Regulatory Code of Conduct, the Board of Directors of the Company promotes works directed towards encouraging the widest possible attendance at the Shareholders' Meetings and facilitating the exercise of the Shareholders' rights.

Moreover, the Board of Directors works actively towards establishing a constructive dialogue with the shareholders based on an understanding of their mutual roles.

In compliance with the provisions of Article 2.2.3, third paragraph, letter j) of the Regulation of Borsa Italiana S.p.A., the Company appointed Patrizia Pellegrinelli as the person in charge of the relations with institutional investors and with other shareholders (Investor Relator) with the task of maintaining dialogue with the Shareholders and institutional investors.

The Investor Relator is entrusted with the task of organising meetings with investors and the financial community to illustrate the Company's strategies and performance. In any case, the possibility for communications to be made on significant events before they are disclosed to the market is excluded.

To encourage dialogue with investors, the Company has created an Investor Relations sector on [www.tesmec.com](http://www.tesmec.com), where information concerning the Company is published.

## **16. SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, paragraph 2, letter c), Consolidated Law on Finance (T.U.F.)**

As a rule, all the Directors attend the meetings. The Directors, in accordance with Article 9 of the Self-Regulatory Code of Conduct, do their best to facilitate the attendance of shareholders.

The Shareholders' Meetings are also an occasion for informing the Shareholders on the Issuer, in compliance with the rules on inside information. In particular, the Board of Directors reports during the Shareholders' Meeting on the activity carried out and planned and does its best to ensure adequate disclosure to the Shareholders on the elements required so that they can take informed decisions pertaining to the Shareholders' Meeting.

The Articles of Association of the Company contain provisions in compliance with the provisions of the Italian Civil Code and of the Consolidated Law on Finance (T.U.F.) on the protection of minorities.

Pursuant to Article 7 of the Articles of Association, the ordinary and extraordinary Shareholders' Meeting, is convened in a single call. The notice of call must contain the date, time, place of the meeting and the agenda and must be published in the Official Gazette of the Italian Republic at least fifteen days before the date set for the Shareholders' Meeting.

On 14 March 2013, the Board of Directors voted to amend the first paragraph of Article 7 of the Articles of Association in accordance with Italian Legislative Decree no. 91 of 18 June 2012, stating that the (ordinary and extraordinary) Shareholders Meeting takes place in a single call and is held and resolves with the majorities required by law.

If and until the shares are traded on a regulated market, the Shareholders' Meeting shall be convened within the deadlines and in the manner provided for by regulations in force from time to time, as an exception to the provisions under Article 7, paragraph 1 of the Articles of Association.

The agenda of the Shareholders' meeting is established by the person with powers to convene meetings pursuant to the law and to the Articles of Association or, should the call be carried out at the request of the shareholders, on the basis of the agenda.

Pursuant to Article 8 of the Articles of Association, shareholders having a right to vote are entitled to attend the Shareholder's Meeting. They are entitled to attend the Shareholders' Meeting by sending the notice issued by the intermediary who keeps the accounts, pursuant to the law. Those entitled to attend the Shareholders' Meeting may grant a written proxy for attendance and voting, in accordance with the provisions of the law. In compliance with Article 6 of the Articles of Association, Ordinary and Extraordinary Shareholders' Meetings may be held, by decision of the Directors, also by way of video/teleconference, with participants located in different places, either near or far, provided that the plenary method and the principles of good faith and equal treatment among the shareholders are applied.

As specified by Article 9 of the Articles of Association, each share has one voting right. The Articles of Association do not envisage multiple vote shares or mechanisms for increasing voting rights.

During the financial period, the Shareholders' Meeting was held on 30 April 2014 and was attended by seven Company Directors.

The Board of Directors has not adopted regulations for shareholders' meetings and the Shareholders' Meetings are held as indicated by existing legislation that guarantees proper conduct of the Shareholders' Meetings and ensures that each shareholder may exercise his/her rights, including the right to speak on the matters being discussed. In accordance with the Articles of Association, the resolutions under Articles 2365, paragraph 2 of the Italian Civil Code do not fall within the competence of the Shareholders' Meeting and are instead attributed to the competence of the Board of Directors, in compliance with Article 2436 of the Italian Civil Code.

During the Financial Period, no main changes occurred in the market capitalisation of the Issuer's shares or in the composition of its corporate structure.

## **17. OTHER CORPORATE GOVERNANCE PRACTICES**

At the date of this Report no further corporate governance practices have been adopted in addition to those outlined above.

## **18. CHANGES SINCE THE END OF THE FINANCIAL PERIOD**

Except as described in the Report, from the end of the Financial Period to the Date of the Report, no changes occurred in Issuer's corporate governance structure.

On March 26, 2015 the independent non-executive Director Marseglia resigned from the office held in the Company due to professional reasons.

Grassobbio, 12 March 2015

The Chairman of the Board of Directors  
Ambrogio Caccia Dominionioni



**TABLE 1: Information on Ownership Structure**

Share Capital Structure				
	No of shares	% of share capital	Listed (indicate the markets)/not listed	Rights and Obligations
Ordinary shares	107,084,000	100%	Italian Electronic Stock Market, STAR segment, managed by Borsa Italiana S.p.A.	-
Multiple vote shares	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

Other Financial Instruments (granting the right to subscribe newly issued shares)				
	Listed (indicate the markets)/not listed	No. Outstanding instruments	Category of shares relative to the conversion/exercise	No. of shares relative to the conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

Significant equity investments				
Declarer	Direct shareholder	% on ordinary capital	% on voting capital	
Tesmec S.P.A.	Tesmec S.P.A.	2.42%	2.42%	
Marseglia Leonardo Giuseppe	Italiana Alimenti S.P.A	5.336%	5.336%	
TTC S.R.L.	FI.IND S.P.A.	12.544%	12.544%	
	TTC S.R.L.	30.301%	30.301%	

**TABLE 2: Structure of the Board of Directors and of the Committees**

Board of Directors													Control and Risk Committee			Remuneration Committee		Appointment Committee	
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Executives	Non-executives	Indep. based on Code	Indep. based on TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman and CEO ◊	Ambrogio Caccia Dominioni	1946	23.02.2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M	X				[8]	6/6							
Vice Chairman	Alfredo Brignoli	1920	23.02.2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M	X				[4]	6/6							
Vice Chairman	Gianluca Bolelli	1959	23.02.2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M		X			[3]	5/6	5/7	M					
Director	Lucia Caccia Dominioni	1977	30.04.2013	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M		X			[0]	6/6							
Director	Caterina Caccia Dominioni	1979	23.02.2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M		X			[0]	6/6			2/2	M			
Director ○	Gioacchino Attanzio	1943	23.02.2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M		X	X	X	[4]	4/6	5/7	M	2/2	M	1/1	M	
Director	Sergio Arnoldi	1947	23.02.2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M		X	X	X	[21]	6/6	6/7	C	2/2	C	1/1	C	
Director	Guido Giuseppe Maria Corbetta	1959	23.02.2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M		X	X	X	[4]	5/6							
Director	Leonardo Giuseppe Marseglia***	1946	30.04.2013	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M		X	X	X	[2]	4/6							
<b>DIRECTORS WHO RESIGNED DURING THE FINANCIAL PERIOD</b>																			
Director	Luca Poggi	1961	23.02.2010	30.04.2013	Resigned on 1/8/2014	m		X	X	X	16	0/6							
<b>Number of meetings held during the Financial Period</b>			Board of Directors: 6				Control and Risk Committee: 7			Remuneration Committee: 2			Appointment Committee: 0						

**NOTES**

The symbols indicated below must be included in the "Office" column:

• This symbol indicates the director in charge of the internal control and risk management system.

◊ This symbol indicates the person who is chiefly responsible for managing the Issuer (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

\* Date of first appointment of each director means the date on which the director was appointed for the first time (ever) in the issuer's BoD.

\*\* This column shows the list from which each director was drawn ("M": majority list; "m": minority list; "BoD": list presented by the BoD).

\*\*\* This column shows the number of offices as director or auditor held by the interested subject in other companies listed on regulated markets - including foreign - in holding, banking, insurance or large-sized companies. In the Corporate Governance Report, these offices are written out in full.

(\*) This column shows the percentage of attendance by the Directors at the Board and Committee meetings, respectively (indicate the number of meetings attended with respect to the overall number of meetings that could have been attended; e.g. 6/8; 8/8 etc.).

(\*\*). This column shows the role of the Director in the Committee: "C": Chairman; "M": Member.

(\*\*\*). Director resigned on March 26, 2015.

**TABLE 3: Structure of the Board of Statutory Auditors**

Office	Members	Year of birth	Date of first appointment	In office since	In office until	List (M/m) *	Indep. based on Cod	Participation in meetings of Board of Statutory Auditors	No. other offices
Chairman	Simone Cavalli	1965	23/02/2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M	X	100%	[11]
Statutory Auditor	Stefano Chirico	1967	23/02/2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M	X	90%	[24]
Statutory Auditor	Alessandra De Beni	1958	30/04/2013	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M	X	90%	[2]
Alternate Auditor	Attilio Marozzi	1961	23/02/2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M	X	n.a.	[11]
Alternate Auditor	Stefania Rusconi	1979	23/02/2010	30.04.2013	Approval of the Financial Statements as at 31.12.2015	M	X	n.a.	[11]
<b>AUDITORS WHO RESIGNED DURING THE FINANCIAL PERIOD</b>									
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of meetings held during the Financial Period: 9</b>									

**NOTES**

(\*) The appointment of the Board of Statutory Auditors currently in office was approved by majority during the Shareholders' Meeting of Tesmec S.p.A. held on 30 April 2013.

(\*\*) This column shows the percentage of attendance by the auditors at the Board of Statutory Auditors (no. of attendance/no. of meetings held during the actual term of office of the person concerned);

(\*\*\*) This column shows the number of offices as director or auditor held by the person concerned of relevance pursuant to Article 148 *bis* of the Consolidated Law on Finance (T.U.F.). The complete and updated list of the offices is published by CONSOB on its website pursuant to Article 144-*quinquiesdecies* of the Issuers' Regulations.

**ANNEX A - List of existing offices held by the current members of the Board of Directors**

Information relating to corporate offices held by the directors is reported below.

<b>Name and surname</b>	<b>Company</b>	<b>Office</b>
Ambrogio Caccia Dominioni	Ambrosio S.r.l.	Director
	Promor Fondazione	Director
	Reggiani Macchine S.p.A.	Director
	TESMEC USA	Chairman of the Board of Directors
	Tesmec Service S.r.l.	Chairman of the Board of Directors
	Tesmec SA (Pty) LTD	Director
	M.T.S. S.p.A.	Director
	C.B.F. S.r.l.	Director
	SGE S.r.l.	Chairman of the Board of Directors
East Trenchers S.r.l.	Single Director	
Alfredo Brignoli	Fi.Ind. S.p.A.	Director
	M.T.S. S.p.A.	Chairman of the Board of Directors
	CBF S.r.l.	Chairman of the Board of Directors
	Reggiani Macchine S.p.A.	Vice Chairman of the Board of Directors
Gianluca Bolelli	Damiani S.p.A.	Chairman of the Board of Statutory Auditors
	E. Boselli & C. SpA	Chairman of the Board of Directors
	Comifin S.p.A. in liquidazione	Liquidator
	Brugola Oeb Industriale S.p.A.	Director
	Oeb S.r.l.	Director
	Rubelli S.p.A.	Chairman of the Board of Statutory Auditors
	Cfo Sim S.p.A.	Chairman of the Board of Directors
	Impar S.r.l.	Single Director
Reale Compagnia Italiana S.p.A.	Statutory Auditor	

	Fedrigoni S.p.A.	Chairman of the Board of Statutory Auditors
	Planetaria Hotels S.p.A.	Statutory Auditor
	Ronchi Mario S.p.A.	Chairman of the Board of Statutory Auditors
	Ronchi Holding S.p.A.	Chairman of the Board of Statutory Auditors
	San Colombano S.p.A.	Chairman of the Board of Statutory Auditors
Caterina Caccia Dominioni	-	-
Gioacchino Attanzio	F.Ili Rossetti S.p.A.	Director
	Ibigen Srl	Director
	Assoholding	Director
	C2I S.r.l.	Director
Sergio Arnoldi	Immobiliare Antonio Stoppani S.r.l.	Single Director
	Anto S.r.l.	Single Director
	Ambe S.r.l.	Single Director
	Lemat S.r.l.	Single Director
	Italcanditi S.p.A.	Chairman of the Board of Statutory Auditors
	Minoronzoni S.r.l.	Chairman of the Board of Statutory Auditors
	Consorzio Lottizzazione Biasca	Chairman of the Executive Board
	M.C.S. Officina Meccanica S.p.A.	Statutory Auditor
	I.G.I. S.p.A.	Statutory Auditor
	Soliveri S.r.l.	Statutory Auditor
	Gualini Lamiere International S.p.A.	Statutory Auditor
	Lartigianabottoni S.p.A.	Statutory Auditor
	Europizzi S.p.A.	Statutory Auditor
	Cie S.p.A.	Alternate Auditor
	Metalfas Livraga S.p.a.	Alternate Auditor

Guido Giuseppe Maria Corbetta	Falck Renewables S.p.A.	Independent Director
	Fondo Italiano Piccole e Medie Imprese SGR S.p.A.	Independent Director
Lucia Caccia Dominioni	-	-





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