

**Report of the Board of Statutory Auditors to the Shareholders' Meeting of SABAF S.p.A.
in accordance with Art. 2429, paragraph 2 of the Italian Civil Code and Art. 153 of Legislative
Decree no. 58/1998**

To the Shareholders' Meeting of the Company SABAF S.p.A.

Introduction

The Board of Statutory Auditors of SABAF S.p.A. (hereinafter also "SABAF" or "Company"), pursuant to Art. 153 of Legislative Decree no. 58 of 1998 (hereinafter also TUF) and Art. 2429, paragraph 2 of the Italian Civil Code, is called upon to report to the Shareholders' Meeting called to approve the Financial Statements on the supervisory activity carried out during the financial year in the performance of its duties on any omissions and reprehensible facts found and on the results of the financial year, as well as to formulate proposals regarding the Financial Statements, the approval thereof and matters falling within its competence.

First of all, note that the Board of Directors called the Shareholders' Meeting for the approval of the Financial statements for the year 2021 on 28 April 2022 and, therefore, within the term of one hundred and twenty days pursuant to Article 2364 of the Italian Civil Code. Note that the financial statement report is made available to the public in accordance with the terms of Art. 154-*ter* of the TUF.

During the year ended 31 December 2021 and up to date, the Board of Statutory Auditors carried out its supervisory activities in compliance with Law provisions, Rules of Behaviour of the Board of Statutory Auditors of listed companies issued by the Italian Board of Certified Public Accountants and Bookkeepers, the CONSOB provisions on corporate controls, the new Corporate Governance Code, as well as by the provisions contained in Art. 19 of Legislative Decree 39/2010.

The financial statements of SABAF were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of Art. 9, paragraph 3, of Legislative Decree 38/2005. The Financial Statements are also in XHTML - ESEF format in compliance with Legislative Decree No. 25 of 15 February 2016 implementing EU Directive 2013/50.

The Company's Financial Statements were prepared in accordance with the law and accompanied by the documents required by the Italian Civil Code and the TUF. Moreover, in accordance with law provisions, the Company prepared the Consolidated financial statements and the consolidated disclosure of non-financial information for the year 2021.

The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by attending the meetings of the Board of Directors and the Board Committees, the hearings of the Company's and the Group's management, the information acquired from the competent company structures, as well as through the additional control activities carried out.

Appointment and Independence of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of 6 May 2021 in the persons of Alessandra Tronconi (Chairman), Maria Alessandra Zunino de Pignier (Statutory Auditor), Mauro Giorgio Vivenzi (Statutory Auditor), as well as Christian Carini and Federico Pozzi (Alternate Auditors). The control body will remain in office for three financial years and will expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the year 2023.

The appointment was made on the basis of two lists submitted by the Shareholders Cinzia Saleri S.A.p.A and Quaestio Capital SGR S.p.A. respectively, in compliance with the applicable law, regulatory and statutory provisions.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Art. 148 of the TUF.

At the time of its appointment, the Board of Statutory Auditors checked the existence of the independence requirement as part of the broader process of self-assessment of the control body pursuant to Standard Q.1.1 of the Rules of Behaviour of listed companies; the check was carried out on the basis of the criteria envisaged by the aforesaid Standards and by the provisions of the Corporate Governance Code applicable to independent directors.

This assessment was carried out again on 10 March 2022 and consequently communicated to the Board of Directors, which disclosed it in the Report prepared pursuant to Art. 123-*bis* of the TUF.

Supervision and control of the Board of Statutory Auditors

Supervisory activity on compliance with the law and articles of association

In carrying out its duties, the Board of Statutory Auditors carried out the supervisory activities required by Art. 2403 of the Italian Civil Code, Art. 149 of the TUF, Art. 19 of Legislative Decree No. 39/2010, CONSOB recommendations on corporate controls and the activities of the Board of Statutory Auditors and referring to the indications contained in the new Corporate Governance Code, as well as the Rules of Behaviour of the Board of Statutory Auditors of listed companies.

In particular, the Board of Statutory Auditors notes that the Shareholders' Meeting of 6 May 2021 appointed, according to the list voting system set forth in Article 12 of the Company's Articles of Association, the new Board of Directors composed of Claudio Bulgarelli, Pietro Iotti, Gianluca Beschi, Alessandro Potestà, Cinzia Saleri, and the independent directors Nicla Picchi, Carlo Scarpa, Stefania Triva and Daniela Toscani. The Shareholders' Meeting also set: (i) the total annual remuneration of the Board of Directors at €198,000.00, excluding the remuneration due to Directors holding special offices pursuant to Art. 2398, paragraph 3, of the Italian Civil Code, the determination of which was delegated to the Board of Directors, and (ii) the duration of the Board of Directors fixed until the date of approval of the Financial statements for the year ending 31 December 2023.

Following the appointment of the new Board of Directors, the latter met on the same date to appoint Bulgarelli as Chairman, Picchi as Vice Chairman and Lead Independent Director, Iotti as Chief Executive Officer, with broad powers and proxies, and Beschi as Chief Executive Officer with proxies and powers mainly in the financial area, and to assess the independence of the independent directors pursuant to the TUF and the Corporate Governance Code. At that meeting, the Board also appointed:

- (a) Giuseppe Saleri as Honorary Chairman until his revocation or resignation,
- (b) pursuant to Article 154-bis of the TUF, Gianluca Beschi as the Financial Reporting Officer,
- (c) pursuant to Legislative Decree No. 231/2001, the Supervisory Body composed of Nicla Picchi (Chairman) and Giuseppe Garzillo, defining the annual remuneration due to each of them as €15,000.00 and the annual expense fund as €20,000.00, and
- (d) the following committees in accordance with the Corporate Governance Code:
 - the Control, Risk and Sustainability Committee, which also plays the role of Committee for Related Party Transactions, composed of independent directors Nicla Picchi (Chairman), Carlo Scarpa and Daniela Toscani, defining its tasks and functions and the annual expense fund of €20,000.00;
 - the Remuneration and Nomination Committee, composed of Daniela Toscani (Chairman), Alessandro Potestà and Stefania Triva, defining its tasks and functions and the annual expense fund of €20,000.00.

During the Board of Directors' meeting of 13 May 2021 convened to resolve, among other things, on the determination of the remuneration for the office of Chairman, Vice Chairman and Chief Executive Officer and attendance at Committee meetings, the Board of Statutory Auditors, pursuant to Art. 2389, paragraph 3 of the Italian Civil Code, expressed its favourable opinion on the proposal prepared by the Remuneration and Nomination Committee.

Moreover, as part of its functions, the Board of Statutory Auditors:

- attended the meetings of the Shareholders and Board of Directors, monitoring compliance with the statutory, legislative and regulatory provisions regulating the operation of the Company's bodies as well as compliance with the principles of proper management;
- supervised, for what of direct concern, the adequacy of the Company's organisational structure and compliance with the principles of proper management, through direct observation, gathering information from heads of the corporate functions and meetings with the Independent auditors to exchange data and information;
- assessed and supervised the adequacy of the internal control system and the administrative and accounting system, as well as its reliability in providing a fair presentation of operational transactions, through the information of the heads of the respective functions, the examination of company documents and the analysis of the results of the work carried out by the Independent Auditors;
- since its appointment (6 May 2021), held 4 meetings lasting approximately 2 hours and 30 minutes each, and also attended all the meetings of the Board of Directors, as well as of the board committees (Control and Risk Committee, Remuneration and Nomination Committee);
- supervised the adequacy of the reciprocal flow of information between SABAF and its subsidiaries pursuant to Art. 114, paragraph 2, of the TUF in the light of the instructions issued by the Company's management to Group companies;
- supervised compliance with the rules of "Market abuse", "Protection of savings" and "Internal Dealing", with a special reference to the processing of inside information and the procedure for the dissemination of statements and information to the public.

Moreover, the Board:

- obtained from the Directors adequate information on the business carried on and major economic and financial operations carried out by the Company and its subsidiaries pursuant to Art. 150, paragraph 1 of the TUF. In this regard, the Board of Statutory Auditors paid special attention to the fact that the transactions approved and implemented complied with the law and the Articles of Association and were not imprudent or risky, in contrast with the resolutions adopted by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the Company's assets;
- held meetings with representatives of the Independent Auditors pursuant to Art. 150, paragraph 3 of the TUF during which there were no significant data and/or information to be reported;
- had exchanges of information with corresponding control bodies (if any) of the companies directly or indirectly controlled by SABAF pursuant to Art. 151, paragraph 1 and 2 of the TUF;
- supervised the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code complied with, as adequately represented in the Report on Corporate Governance and Ownership Structures, in compliance with Art. 124-ter of the TUF and Art. 89-bis of the Issuers' Regulations;
- checked, in relation to the periodic assessment to be carried out pursuant to Recommendation 6 of the Corporate Governance Code, as part of the supervision of the procedures for effective implementation of the corporate governance rules and in accordance with Q. Rec. 6(2) of "*The Q&A functional to the application of the Corporate Governance Code*", the correct application of the assessment criteria and procedures adopted by the Board of Directors, with regard to the positive assessment of the independence of the Directors.

As required by Recommendation 19 of the Corporate Governance Code, with the support of the Remuneration and Nomination Committee, the Board of Directors expressed its assessment of the size and composition of the Board and its operation, as well as the size, composition and operation of the board committees. The assessment - carried out on the basis of the results of a self-assessment questionnaire filled in by all the members of the Board of Directors - used the assessment criteria already adopted in the previous year.

The Board also acknowledges that it has issued its consent, pursuant to Art. 5, paragraph 4, of Regulation (EU) 2014/537, to the provision by the Independent Auditors EY S.p.A. of services other than the external audit to C.M.I. S.r.l. belonging to the SABAF Group.

The Board of Statutory Auditors also gave its consent, pursuant to Art. 2426, paragraph 1, number 5, of

the Italian Civil Code, to the recognition in the financial statements of development costs with a multi-year use of €1,679,000.

Supervisory activity on the adequacy of the administrative and accounting system and the auditing activity

Pursuant to Art. 19 of Legislative Decree 39/2010 (Consolidated External Audit Act), the Board of Statutory Auditors is required to supervise:

- the financial reporting process;
- the effectiveness of the internal control and risk management systems;
- the External audit of annual accounts and consolidated accounts;
- the independence of the Independent Auditors, specifically as far as the provision of non-audit services is concerned.

The Board of Statutory Auditors carried out its activities in collaboration with the Control and Risk Committee in order to coordinate their responsibilities and avoid overlapping of activities.

Financial reporting process

The Board of Statutory Auditors supervised the existence of rules and procedures relating to the process of formation and dissemination of financial information. In this regard, it should be noted that the Report on Corporate Governance and Ownership Structures illustrates how the Group defined its Internal Control and Risk Management System in relation to the financial reporting process at the consolidated level. The Financial Reporting Officer is Gianluca Beschi. The Financial Reporting Officer is supported by the Internal Audit Department to check the operation of the administrative and accounting procedures through control testing.

The Board of Statutory Auditors acknowledges that it has received adequate information on the monitoring of business processes with an administrative and accounting impact within the Internal Control System, carried out both during the year in relation to the regular management reports, and during the closing of the accounts for the preparation of the Financial Statements, in compliance with the monitoring and certification requirements to which SABAF is subject pursuant to Law no. 262/2005. In particular, the Board of Statutory Auditors acknowledged the Risk Assessment for 2021, as well as the periodic update on testing activities pursuant to Law no. 262/2005.

The Board of Statutory Auditors also received adequate information regarding the impact of the COVID-19 health emergency on the business of the Company and its subsidiaries. In this regard, it is acknowledged that the Italian plants of the SABAF Group adopted the control measures envisaged by the regulations in force from time to time for access to workplaces, such as the monitoring of body temperature and the control of COVID-19 green certification, known as "Green Pass".

The adequacy of the administrative and accounting system was also assessed through the acquisition of information from the heads of the respective departments and the analysis of the results of the work carried out by the Independent Auditors.

No particular critical issues or elements hindering the issue of the certification by the Financial Reporting Officer and by the Chief Executive Officer concerning the adequacy of the administrative and accounting procedures for the preparation of the Financial statements of SABAF and the Consolidated Financial Statements for the year 2021 emerged.

The Board of Statutory Auditors supervised compliance with the regulations related to the preparation and publication of the Half-Yearly Report and the Interim Management Reports, as well as the settings given to them and the correct application of the accounting standards, also using the information obtained from the Independent Auditors.

Furthermore, it is acknowledged that:

- the Independent Auditors appointed to carry out the external audit currently in office, EY S.p.A., were appointed for the 2018-2026 period at the Shareholders' Meeting held on 8 May 2018: the procedure for the appointment was carried out in compliance with the provisions of Art. 16 of Regulation (EU) 2014/537. The Board of Statutory Auditors in office at that time submitted to the Board of Directors a reasoned recommendation containing the name of two Independent Auditors suitable to replace the

one that is due to expire, expressing preference for one of them. This recommendation was developed at the end of a detailed selection procedure that was carried out in compliance with the provisions contained in Regulation (EU) 2014/537;

- the Independent Auditors appointed to audit the company illustrated to the Board of Statutory Auditors the checks carried out and did not report any findings in the periodic meetings with the Board of Statutory Auditors;
- the Board of Statutory Auditors supervised the auditing of the annual and consolidated financial statements, obtaining information and periodically discussing with the Independent Auditors.

In particular, all the main phases of the audit activity were illustrated to the Board of Statutory Auditors, including the identification of the risk areas, with a description of the related audit procedures adopted; moreover, the main accounting principles applied by SABAF have been followed.

The Board also acknowledges that the Independent Auditors EY S.p.A. issued their opinions on the Consolidated Financial Statements and the Separate Financial Statements on 4 April 2022 and also issued on the same date the Additional Report to the Internal Control and Audit Committee pursuant to Art. 11 of Regulation (EU) 2014/537.

The reports on the Separate financial statements and the Consolidated financial statements do not give rise to any observations or requests for information.

It is also acknowledged that the Independent Auditors expressed, in the reports mentioned above, a positive opinion with regard to consistency with the financial statements and compliance with the law with reference:

- to the Report on operations;
- to the information referred to in Art.123-*bis*, paragraph 4, Legislative Decree 58/98 contained in the Report on corporate governance and ownership structures.

In the audit work, a special attention was paid to the key aspects relating to the impairment test. Moreover, the reports issued by the Independent Auditors do not reveal any significant shortcomings in the Company's internal control system for financial information and accounting system.

The Board of Statutory Auditors supervised the independence of the Independent Auditors EY S.p.A., verifying the type and extent of services other than auditing with reference to SABAF and its subsidiaries and obtaining explicit confirmation from the Independent Auditors that the independence requirement was met. The statement on independence has been included, pursuant to Art. 11, paragraph 2, letter a), of Regulation (EU) 2014/537, in the above-mentioned Additional Report.

The fees paid by the SABAF Group to the Independent Auditors and to the companies belonging to the network of the Independent Auditors themselves are as follows:

<u>Assets</u>	<u>Amount € /000</u>
Audit	130
Certification services	-
Other services	37
Total	167

In the light of the above, the Board of Statutory Auditors considers that the Independent Auditors EY S.p.A. meet the requirement of independence.

Supervisory activity on the adequacy of the internal control system and the organisational structure

The Board of Statutory Auditors assessed and supervised the adequacy of internal control and the effectiveness of the internal control and risk management systems. The Board of Statutory Auditors acknowledges that it has verified the most significant activities carried out by the overall internal control and risk management system by attending the meetings of the Control and Risk Committee (also with functions of Committee for related party transactions) attended by:

- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;

- the Chief Executive Officer and director in charge of the internal control and risk management system;
- the Internal Audit department and its Head;
- the Financial Reporting Officer.

The Board of Statutory Auditors also acknowledges that it attended the periodic meetings among the Company's control bodies attended by:

- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;
- the Independent Auditors;
- the Chief Executive Officer and Director in charge of the internal control system;
- the Financial Reporting Officer;
- the Internal Audit department and its Head;
- the Supervisory Body.

In particular, as part of these activities, the Board of Statutory Auditors acknowledges that it has received and examined:

- the periodic reports on the activities carried out, prepared by the Control and Risks Committee and the Internal Audit department;
- the reports drawn up at the end of the verification and monitoring activities by the Internal Audit department, with the relative results, the recommended actions and the controls on the implementation of the aforesaid actions also in order to represent the management events and impacts of the COVID-19 emergency;
- periodic updates on the development of the risk management process, the outcome of the monitoring and assessment activities carried out by Internal Audit and the objectives achieved.

The Board of Statutory Auditors then reviewed every six months the periodic reports on the activities carried out by the Supervisory Body and examined the activity plan and the budget allocated for 2021. Similarly, the Board of Statutory Auditors acknowledged the compliance with the provisions of Legislative Decree no. 231/2001 and the activity plan for 2021, examining and agreeing with the amendments made during the year to the Organisation and Management Model pursuant to Legislative Decree no. 231/2001.

Following the activities carried out during the 2021 financial year, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control and Risk Committee with regard to the adequacy of the Internal Control and Risk Management System.

Supervisory activity on compliance the principles of proper management

The main transactions carried out by the Company during 2021, with respect to which the Board of Statutory Auditors monitored compliance with the principles of proper management, are summarised below.

On 12 October 2021, the Company completed the purchase of 30% of the capital of A.R.C. S.r.l. from Loris Gasparini, in performance of the agreement that had been signed between the parties in 2016, when Sabaf had acquired 70% of A.R.C. S.r.l. The price for the acquisition of this equity investment was €1,650,000; as a result of this acquisition, the Company holds 100% of the share capital of A.R.C. S.r.l.

On 2 November 2021, the Company completed the purchase of 15.75% of the share capital of C.M.I. S.r.l., by the minority shareholder Starfire Industrial Engineering S.r.l. The purchase price was €4,743,000. As a result of this acquisition, the Company now holds 100% of the share capital of C.M.I. s.r.l.

Moreover, during the 2021 financial year, the Company implemented an important operation aimed at providing new resources to support the development objectives it intends to pursue. To this end, in December 2021, the Company completed the placement of a senior, unsecured, non-convertible and non-subordinated bond loan for a value of €30 million fully subscribed by PRICOA Private Capital Group (one of the leading operators in the international private placement market). The bonds were issued in a single tranche, have a maturity of 10 years and an average life of 8 years. The fixed coupon is 1.85%. With reference to this transaction, the Board of Statutory Auditors certified, pursuant to and for the purposes

of Art. 2412 of the Italian Civil Code, compliance with the limit indicated in Article 2412, paragraph 1, of the Italian Civil Code.

Note that, in the second half of December 2021, the Company learned of the erroneous enforcement of a decision to seize - with registration of the Treasury Shares in the name of the Fondo Unico di Giustizia (Asset forfeiture fund) - concerning 311,802 treasury shares (corresponding to 2.703% of the Company's share capital) in pursuance of a criminal sentence of which the Company has no knowledge. Therefore, the Company carried out the checks required and started any appropriate legal action, in acceptance of the application for an enforcement review, the recognition by order pronounced *inaudita altera parte* on 22 January 2022 of the unlawfulness of the enforcement of the seizure of the Treasury Shares and the revocation of such seizure, with the consequent order to return the treasury shares to the Company. On 1 March 2022, SABAF recovered the full availability of 311,802 treasury shares.

In terms of ordinary operations, SABAF's activities continued in line with previous years and consisted of industrial activities, strategic and management coordination of the Group, the search for the optimisation of the Group's financial flows, as well as the search and selection of equity investments with the aim of accelerating the Group's growth.

Following the supervision and control activities carried out during the year, the Board of Statutory Auditors can certify that:

- during the course of the activity carried out, no omissions, irregularities or reprehensible or significant facts that would require reporting to the control bodies or mention in this Report emerged;
- no reports were received by the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code, nor has it received any complaints from third parties;
- no transactions have been identified with third parties, intra-group and/or related parties such as to highlight atypical and/or unusual profiles, in terms of content, nature, size and timing;
- all the transactions and management choices adopted are inspired by the principle of proper management and reasonableness, and comply with the 2021-2023 Business Plan approved by the Board of Directors on 23 March 2021.

Supervisory activity on implementation of the corporate governance rules

The Board of Statutory Auditors, during the financial year ended 31 December 2021, assessed the application of the corporate governance rules set out in the Corporate Governance Code and the relative level of compliance, also by analysing the Report on corporate governance and ownership structures and comparing its contents with what emerged during the general supervisory activity carried out during the year. The Board also acknowledges that, on 16 December 2021, the Company's Board of Directors adopted the Corporate Governance Manual setting out the principles, rules and operating procedures to enable the Company to implement the recommendations of the Corporate Governance Code.

Moreover, compliance with the obligation on the part of SABAF to inform the market in its Report on corporate governance and ownership structures of its level of compliance with the Code itself was assessed, also in accordance with the provisions of Art. 123-*bis* of the TUF. The Board of Statutory Auditors is of the opinion that the Report on corporate governance was prepared in accordance with the provisions of Art. 123-*bis* of the TUF and the Corporate Governance Code and following the format made available by the Corporate Governance Committee of Borsa Italiana S.p.A.

Supervisory activities in relation to the Financial Statements, the Consolidated financial statements and the Consolidated disclosure of non-financial information

With regard to the Separate financial statements for the year ended 31 December 2021, the Consolidated financial statements for the year ended on the same date and the related Report on operations, note the following:

- the Board of Statutory Auditors ascertained, through direct audits and information obtained from the Independent Auditors, compliance with law provisions regulating their formation, the layout of the Financial statements, the Consolidated financial statements and the Report on Operations, and the financial statement formats adopted, certifying the correct use of the accounting standards described in the explanatory notes and the Report on operations. In particular, the Board of Statutory Auditors

analysed the results of the impairment test carried out by independent experts, in accordance with IAS 36, on the individual CGUs that coincide with the equity investments in Faringosi Hinges S.r.l., A.R.C. S.r.l., C.M.I. S.r.l. and Okida Elektronik ("Hinges" CGU for Faringosi Hinges S.r.l.; "Professional burners" CGU for A.R.C. S.r.l.; "C.M.I." CGU for C.M.I. S.r.l. and "electronic components" CGU for Okida Elektronik).

In this regard, note that the Independent Auditors, in their report, accurately described the audit procedures carried out with reference to the impairment tests, as "key aspects of the audit" and to which, therefore, the Board of Statutory Auditors refers. Therefore, the Board of Statutory Auditors supports the procedures adopted with reference to the impairment tests carried out on goodwill and on the equity investments above mentioned;

- in pursuance of CONSOB Communication 6064293 of 28 July 2006, the effects of the related party transactions are expressly indicated in the financial statements. In pursuance of this Communication in the Explanatory Notes, it is specified that during the year no transactions deriving from atypical and/or unusual operations were carried out, whereas there were significant non-recurring events, the consequences of which are reflected in the economic, equity and financial results for the year. In particular, in the Consolidated financial statement the Company's Directors acknowledged that the Group recognised under income taxes a) a non-recurring income of €801 thousand following the revaluation for tax purposes of the tangible assets of the Group's Turkish companies; the exercise of the revaluation option results in a substitute tax of €73 thousand, which is accounted for in current taxes for the year; b) a non-recurring income of €1,963 thousand relating to the tax benefits arising from investments made in Turkey; c) a provision for tax risks of €500 thousand against potential tax liabilities;
- the Financial statements are in keeping with the facts and information of which the Board of Statutory Auditors has become aware within its supervisory duties and its control and inspection powers;
- as far as the Board of Statutory Auditors is aware, the Directors, when preparing the financial statements, did not depart from the law provisions pursuant to Art. 2423, paragraph 5 of the Italian Civil Code;
- the Chief Executive Officer and the Financial Reporting Officer issued the certificate, pursuant to Art. 81-ter of CONSOB Regulation no. 11971/1999 as amended and Art. 154-bis of the TUF;
- the Report on Operations complies with legal requirements and is consistent with the data and results of the Financial Statements; it provides the necessary information on the activities and significant transactions of which the Board of Statutory Auditors was informed during the year, on the main risks of the Company and its subsidiaries, on intra-group and related party transactions, as well as on the process of adapting the corporate organisation to the principles of corporate governance, in accordance with the Corporate Governance Code for listed companies;
- pursuant to the provisions of Art. 123-ter of the TUF, the Remuneration Report is presented to the Shareholders' Meeting (to resolve on the second section pursuant to Art. 123-ter, paragraph 6, of the TUF) and the Board of Statutory Auditors examined and approved the approach followed in preparing it.

In relation to the presentation of the Consolidated disclosure of non-financial information, the Board of Statutory Auditors, in compliance with Legislative Decree no. 254 of 30 December 2016, supervised compliance with the provisions set out in the decree itself and in CONSOB resolution no. 20267 of 18 January 2018 for the preparation of the disclosures in question, also acquiring the certification issued by the appointed auditor EY S.p.A. on 4 April 2022. This activity did not reveal any facts that could be reported in this report.

Supervisory activity on relationships with Subsidiaries

The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to the subsidiaries, in accordance with Art. 114, paragraph 2 of the TUF.

Periodic meetings with the management and the company in charge of Internal Audit did not reveal any critical elements to be reported in this report.

Finally, we acknowledged that to date no communications have been received from the Control Bodies of the Subsidiaries containing findings to be noted in this report.

Supervisory activity on related party transactions

In relation to the provisions of Art. 2391 *bis* of the Italian Civil Code, the Board of Statutory Auditors acknowledges that the Board of Directors adopted a procedure for the regulation of Related Party Transactions, whose main objective is to define the guidelines and criteria for identifying related party transactions and setting out roles, responsibilities and operating methods so as to guarantee, for such transactions, adequate information transparency and the related procedural and substantial correctness. That procedure was prepared in compliance with what was established by the CONSOB Regulation on Related Parties (no.17221 dated 12 March 2010 as amended) and was last updated by the Board of Directors on 3 August 2021 in order to implement the amendments made to the aforementioned Regulation by CONSOB Resolution No. 21624/2020.

The Board of Statutory Auditors supervised the effective application of the rules by the Company and has no observations to make in this regard in this Report.

Risks related to the COVID-19 pandemic

With reference to the Covid-19 pandemic, note that in the Explanatory Notes it is stated that the "Management has reviewed the Company's exposure to the effects of the COVID-19 pandemic and its impact on the Company's financial position, results and cash flows, especially with regard to the recoverability of the value of intangible assets, the measurement of receivables, the measurement of inventories and the management of financial risks, with a special reference to credit and liquidity risks. The analysis carried out did not reveal any critical situations and the factors related to the COVID-19 pandemic did not have a significant impact on the opinions and estimates used in preparing these Separate Financial Statements."

Note that the Explanatory Notes state that "on 31 March 2021, the IASB issued the document "*Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)*" by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for facilities granted to lessees due to Covid-19. These changes that apply as from 1 April 2021 had no impact on the Group's separate financial statements."

Also note that, in the context of the Covid-19 pandemic, in order to mitigate the risks of contagion, all Group companies promptly adopted preventive measures and strict protocols, which are currently in force and constantly adapted based on best practice.

The Notes to the Financial Statements acknowledge that "the Group assessed that it is a going concern in accordance with paragraphs 25 and 26 of IAS 1, also due to the strong competitive position, high profitability and solidity of the financial structure."

The Board of Statutory Auditors paid particular attention to the assessment carried out by the Company, both with regard to the existence of the going concern requirement and to the adequacy of the internal control system.

Risks related to the Russian-Ukrainian conflict

Russia's military invasion of Ukraine starting on 24 February 2022, together with the economic and financial sanctions adopted by the European Union and other countries against Russia and Belarus, appear to be leading to a situation of macroeconomic uncertainty that could negatively impact the global economy.

In line with Consob's request in its warning notice of 18 March 2022, the Company's Directors acknowledged the risks related to the ongoing conflict in the Report on Operations, highlighting that the Group has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand.

Also in line with Consob's request in its warning notice of 18 March 2022, the Board of Statutory Auditors also acknowledges that the Company has put in place organisational control units on cybersecurity both within the procedures and protocols envisaged by the Organisation and Management Model pursuant to Legislative Decree no. 231/2001, and within its own internal control system, as well as a specific insurance policy aimed at protecting the Company from the risk of security breaches and violation of the confidentiality of personal data.

Proposal to the Shareholders' Meeting

On 22 March 2022, the Board of Directors decided to propose to the Shareholders' Meeting that the Company's 2021 profit be allocated as follows:

- a dividend of €0.60 per share to be paid to shareholders as from 1 June 2022;
- the remainder to the Extraordinary Reserve.

The Board of Statutory Auditors expresses its favourable opinion for the approval of the Separate financial statements at 31 December 2021 and has no objections to make to the draft resolution presented by the Board of Directors as formulated in the Explanatory Notes and in the Directors' Report on Operations.

Ospitaletto, 5 April 2022

The Board of Statutory Auditors

Alessandra Tronconi

Maria Alessandra Zunino de Pignier

Mauro Vivenzi