



**Massimo Zanetti Beverage Group S.p.A.**

Company offices in Viale Gian Giacomo Felissent, 53, 31020 Villorba - Treviso - share capital € 34,300,000.00 wholly paid up. Treviso Companies Register, Tax ID code and VAT code No. 02120510371 - REA No. TV- 300188.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURES  
Pursuant to Article 123-bis of the Consolidated Law on Finance**

(traditional administrative and control model)

Issuer: Massimo Zanetti Beverage Group S.p.A.

Website: [www.mzb-group.com](http://www.mzb-group.com).

Financial year: year ended 31 December 2015

Report approval date: 10 March 2016.

## GLOSSARY

In addition to the definitions included in this Report, the following terms shall have the following meaning:

**"Shareholders' Meeting"**: shall mean the MZBG Shareholders' Meeting.

**"Corporate Governance Code" or "Code"**: shall mean the Corporate Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee set up and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**"Civil Code" or "CC"**: shall mean the Italian Civil Code.

**"Board of Statutory Auditors"**: shall mean the Board of Statutory Auditors of MZBG.

**"Board of Directors" or "Board"**: shall mean the Board of Directors of MZBG.

**"Report Date"**: shall mean the date on which this Report was approved by the Board of Directors of MZBG, i.e. 10 March 2016.

**"Date of Application for Admission to Trading"**: shall mean the date on which MZBG submitted its application to Borsa Italiana S.p.A. for admission to trading of its ordinary shares on the MTA (Mercato Telematico Azionario - Italian Electronic Stock Exchange), i.e. 7 August 2014.

**"Date of Commencement of Trading"**: shall mean the date of commencement of trading of MZBG ordinary shares on the "STAR" segment of the MTA, i.e. 3 June 2015.

**"Financial Year"**: shall mean the financial year ended 31 December 2015, to which the report refers.

**"MZB Group" or "Group"**: shall mean collectively the Issuer and the companies that are directly or indirectly controlled by it as per Article 93 of the Consolidated Law on Finance.

**"MTA"**: shall mean the "Mercato Telematico Azionario", which is the Italian Electronic Stock Exchange managed by Borsa Italiana S.p.A.

**"Prospectus"**: shall mean the prospectus relating to the public offering for sale and subscription and the admission to trading on the Italian Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A. of MZBG ordinary shares, which is available on the internet site of the Issuer at [www.mzb-group.com](http://www.mzb-group.com) under "*IR/IPO Info*".

**"CONSOB Issuer Regulations"**: shall mean the Regulations issued by CONSOB as per resolution No. 11971 in 1999 (as amended and restated from time to time) applicable to issuers.

**"CONSOB Market Regulations"**: shall mean the Regulations issued by CONSOB as per resolution No. 16191 in 2007 (as amended and restated from time to time) applicable to stock markets.

**"CONSOB Regulations on Related-Parties" or "Regulations on Related-Party Transactions"**: shall mean the Regulations issued by CONSOB as per resolution No. 17221 on 12 March 2010 (as amended and restated from time to time) applicable to Related-Party Transactions.

**"Report"**: shall mean the Report on Corporate Governance and Ownership Structures that the Company is obliged to produce pursuant to Article 123-bis of the Consolidated Law on Finance and in accordance with the Corporate Governance Code.

**"Consolidated Law on Finance"** or **"TUF (Testo Unico della Finanza)"**: shall mean Legislative Decree No. 58 of 24 February 1998 as amended and restated from time to time.

## **PREMISE**

This Report includes the information as required by Article 123-bis of the Consolidated Law on Finance and the applicable regulations regarding corporate governance as adopted by the Company and regarding the Company's ownership structures. In line with the recommendations of the Corporate Governance Code to which the Company adheres, the Report also includes accurate and comprehensive information regarding the way in which the Company adheres to the principles and criteria dictated by said Code, indicating, where applicable, the specific recommendations which the Company does not comply with.

It should be noted that the format of the January 2015 edition of the Report on Corporate Governance and Ownership Structures was taken into account when drawing up this Report.

This Report, which was approved by the Board of Directors of the Company at its meeting held on 10 March 2016 is available to the public on the MZBG internet site at [www.mzb-group.com](http://www.mzb-group.com) under section "*IR/Shareholders*".

## 1 ISSUER PROFILE

Massimo Zanetti Beverage Group S.p.A. (“**MZBG**”, the “**Issuer**” or the “**Company**”) is a company with shares listed on the “STAR” segment of Mercato Telematico Azionario (the Italian Electronic Stock Exchange), organized and managed by Borsa Italiana S.p.A. (the Italian Stock Exchange) as of 3 June 2015 (“**Date of Commencement of Trading**”).

The MZB Group is a world leader in the production, processing and distribution of roasted coffee and other selected colonial goods, which are distributed in approximately 110 countries. The MZB Group manages activities spanning from procurement to consumption, operating in 18 factories in Europe, Asia and the Americas and through an international network of around 400 coffee shops in 50 countries. Furthermore, MZBG completes its range of products with the sale of coffee machines and complementary products such as tea, hot chocolate and high-quality spices.

According to the Bylaws currently in force (the “**Bylaws**”), MZBG is structured according to the traditional administrative and organizational control model pursuant to Articles 2380-*bis* et seq. of the Civil Code, with a Shareholders’ Meeting, a Board of Directors and a Board of Statutory Auditors.

The Board of Directors of MZBG plays a central role in the guidance and management of the Company and the Group. In addition to the powers granted to the same pursuant to the law and the Bylaws, the Board of Directors has exclusive authority in connection with the most important decisions from an economic and strategic standpoint and in terms of structural incidence on management, or functional to the exercise of monitoring and direction activities of the Company and the Group.

Within the Board of Directors, the Nominating and Remuneration Committee and the Audit and Risk Committee have been established, both with propositional and advisory functions as provided for by the Corporate Governance Code. The Committee for Related-Party Transactions is also established within the Board of Directors.

The Board of Statutory Auditors supervises compliance with the law and Bylaws, compliance with the principles of sound administration and, in particular, with the adequacy of the organizational, administrative and accounting procedures adopted by the Company and its operations.

The legal audit of the consolidated financial statements for the fiscal years ending between 31 December 2015 and 31 December 2023, as well as the limited audit of the condensed semi-annual financial statement for periods ending from 30 June 2015 to 30 June 2023 was entrusted to the audit company PricewaterhouseCoopers S.p.A., a company with registered offices at Via Monte Rosa, no. 91, Milan, registered under No. 43 in the Special Register for Independent Auditors maintained by the Ministry of Economy and Finance and under registration number 119644 on the Register of Legal Auditors, appointed by the Shareholders’ Meeting on recommendation of the Board of Statutory Auditors in compliance with the legal provisions of Legislative Decree no. 39/2010.

MZBG, in its role of parent company, performs direction activities of business strategies and direction and coordination activities over the Italian companies belonging to the Group owned by the same, pursuant to Articles 2497 et seq. of the Civil Code.

The *Corporate Governance* system of MZBG is structured in compliance with the Corporate Governance Code and the legal provisions which regulate Italian-listed companies, according to the international *best practices of Corporate Governance*.

**2 INFORMATION ON OWNERSHIP STRUCTURES (PURSUANT TO ART. 123-BIS, PARAGRAPH 1 OF THE CONSOLIDATED LAW ON FINANCE) ON 22 APRIL 2015**

***a) Share capital structure (pursuant to Art. 123-bis, paragraph 1, letter a) of the Consolidated Law on Finance)***

On the Report Date, the share capital amounts to € 34,300,000 entirely subscribed and paid-up, subdivided into 34,300,000 ordinary shares with no par value.

The shares are registered, indivisible and each share confers the right to one vote.

***b) Restrictions on the transfer of shares (pursuant to Art. 123-bis, paragraph 1, letter b) of the Consolidated Law on Finance)***

There is no restriction to the free transferability of shares nor restrictions to the possession of same, nor approval clauses to become a shareholder of MZBG, pursuant to the law or Bylaws.

In the context of the listing procedure for ordinary shares in MZBG on the STAR segment of the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A., the Selling Shareholder MZ.Industries S.A., in the interest of the banks who acted as coordinators of the global offer of subscription and sale, has assumed lock-up undertakings, for up to 180 days from the Date of Commencement of Trading, in relation to its shares in the Company as well as instruments enabling the subscription shares of the Company. On the Report Date, these undertakings have expired.

For all further details on the lock-up undertakings, reference is made to Section Two, Chapter VII, Paragraph 7.3.1 of the Prospectus.

***c) Significant holdings in the share capital (pursuant to Art. 123-bis, paragraph 1, letter c) of the Consolidated Law on Finance)***

Significant direct or indirect holdings in MZBG share capital, according to the notifications received by the Company pursuant to Art. 120 of the Consolidated Law on Finance up to the Report Date are reported in **Table 1**, attached.

***c) Shares conferring special rights (pursuant to Art. 123-bis, paragraph 1, letter d) of the Consolidated Law on Finance)***

No shares have been issued conferring special rights of control nor are there any parties with special powers pursuant to current legal and statutory provisions.

***e) Employee shareholdings: exercise of the right to vote (ex Art. 123-bis, paragraph 1, letter e) of the Consolidated Law on Finance)***

On the Report Date there is no established employee shareholding system.

***f) Restrictions on the right to vote (ex Art. 123-bis, paragraph 1, letter f) of the Consolidated Law on Finance)***

On the Report Date there were no restrictions on the right to vote.

**g) *Shareholders' agreements (ex Art. 123-bis, paragraph 1, letter g) of the Consolidated Law on Finance)***

On the Report Date, the Issuer was not aware of any agreements between shareholders as defined by Art. 122 of the Consolidated Law on Finance.

**h) *Change of control clauses (ex Art. 123-bis, paragraph 1, letter h) of the Consolidated Law on Finance) and statutory requirements regulating takeover bids (ex Articles 104, paragraph 1-ter, and 104-bis, paragraph 1) of the Consolidated Law on Finance)***

In the context of their ordinary activity, MZBG and some of its subsidiaries have stipulated loan agreements which, as is customary in the market practice of international agreements, confer on the lending parties the right to withdraw from or terminate such agreements in the case of a change of control of one of the said parties.

**(i) *Loan agreement signed on 9 November 2005 between the subsidiary Massimo Zanetti Beverage SA, MZB and Société Européenne de Banque SA, as subsequently amended multiple times, most recently on 13 May 2013***

On 09 November 2005, the subsidiary Massimo Zanetti Beverage SA, in its quality as borrower (the "Borrower") with MZB, in the quality of guarantor and Société Européenne de Banque SA in the quality of lender ("Société Européenne"), stipulated a loan agreement governed by the laws of Luxembourg, pursuant to which Société Européenne made available to the Borrower a credit line of € 70,000,000 (the "Euro Credit Line") and a credit line of USD 15,000,000 (the "Dollar Credit Line") (the "Société Européenne Loan Agreement") with an interest rate equal to - for the Euro Credit Line - the 6 month Euribor rate on a 360 day convention plus a spread of 1.45% and - for the Dollar Credit Line - a 6 month Libor rate plus a spread of 1.45%.

The Société Européenne Loan Agreement was subsequently modified on 29 November 2005, 20 February 2008, 23 December 2011 and most recently on 13 May 2013. On this date, the amounts owed for the Euro Credit Line amounted to € 21,000,000 while those owed for the Dollar Credit Line amounted to USD 4,500,000.

With the amendment agreement of 13 May 2013, the parties have agreed to modify the Société Européenne Loan Agreement in order to (i) enable the Borrower to repay in advance all amounts owed under the USD Credit Line; (ii) replace the same with a new credit line of a maximum amount of € 3,000,000 (the "New Credit Line" and, together with the Euro Credit Line, the "Credit Lines"); (iii) extend the expiry of the Société Européenne Loan Agreement from 30 September 2015 to 31 May 2018; and (iv) adjust the interest rate which, from 31 May 2013, has become equal to Euribor plus a margin of 4.95% (the "Modified Société Européenne Loan Agreement"); thus the amount owed for the Credit Lines on the execution date of the Modified Société Européenne Loan Agreement totalled € 24,000,000 (the "Total Amount").

Pursuant to the Modified Loan Agreement, Société Européenne has the right to demand immediate repayment by the Borrower of all amounts owed under the Credit Lines in the case of loss of control of MZBG or of any of its subsidiaries by the controlling members of the same on 13 May 2013.

**(ii) *Loan Contract signed on 17 June 2010 between MZB and Monte dei Paschi di Siena, amended on 28 October 2013***

On 17 June 2010, MZB and Monte dei Paschi di Siena (“MPS”) stipulated a loan contract, pursuant to which MPS granted MZB a loan equal to € 20,000,000, due to expire on 30 June 2017 and with a variable interest rate equal to 6 month Euribor with a margin of 1.50% (the “MZB - MPS Loan Agreement”).

Pursuant to the MZB - MPS Loan Agreement, MZB has agreed to repay the loan within 7 years through the payment of 10 twice-yearly instalments inclusive of capital and interest, according to an amortisation plan attached to the MZB - MPS Loan Agreement.

On 14 March 2011, MZB and MPS stipulated a rate swap contract, pursuant to which the parties had undertaken to exchange, at predefined dates and on the basis of predetermined notional amounts, a fixed rate against a variable rate; specifically, MZB agreed to pay MPS a fixed rate of 3.24% on a principal of € 20,000,000 (corresponding to the loan granted by the MZB - MPS Loan Agreement) in return for the payment by the latter of a variable rate equal to the 6 month Euribor rate, corresponding to the interest rate agreed in the MZB - MPS Loan Agreement (the “First MZB - MPS Swap Agreement”).

On 28 October 2013, certain terms and conditions of the MZB - MPS Loan Agreement were modified; specifically the expiry date was extended from 30 June 2017 to 31 December 2018 and the margin applicable to the loan was increased from 1.50% to 3% (the “Modified MZB - MPS Loan Agreement”).

Pursuant to the Modified MZB - MPS Loan Agreement, MZB agreed to repay € 17,000,000, a sum equal to the remaining credit extended to MZB by MPS, on the date of 28 October 2013, through the payment of 11 twice-yearly instalments according to the amortisation plan attached to the Modified MZB - MPS Loan Agreement, by 31 December 2018.

Without prejudice to the afore-mentioned amendments, all terms and conditions stipulated by the MZB - MPS Loan Agreement continue to apply.

In order to adapt the amendments to the MZB - MPS Loan Agreement to the First MZB - MPS Swap Agreement, MZB and MPS signed a new rate swap contract (the “Second MZB - MPS Swap Agreement”) which replaced and superseded the terms of the First MZB - MPS Swap Agreement, pursuant to which the parties were obliged to exchange, on predefined dates and principles, a fixed rate against to variable rate; specifically, MZB agreed to pay MPS a fixed rate of 3.20% on a capital of € 17,000,000 in return for the payment by the latter of a variable rate equal to the 6 month Euribor rate, corresponding to the interest rate agreed in the Modified MZB - MPS Loan Agreement.

Pursuant to the Second MZB - MPS Swap Agreement, MPS shall have the right to withdraw from the contract in the case of a significant variation to the MZB certificate of incorporation or ownership structures.

***(iii) Loan contract signed on 15 October 2013 between MZB and UBI - Banca Popolare Commercio e Industria***

On 15 October 2013, MZB and UBI - Banca Popolare Commercio e Industria (“UBI”) stipulated a loan agreement pursuant to which UBI granted to MZB a loan of € 12,000,000, due to expire on 15 October 2018 (the “UBI Expiry Date”) and with a variable interest rate equal to the value of the 3 month Euribor rate and a margin of 3.5% (the “UBI Loan Agreement”).



Pursuant to the UBI Loan Agreement, MZB agreed to repay the loan through the payment of 10 equal twice-yearly instalments in arrears, inclusive of capital, interest and fees, according to an amortisation plan attached to the UBI Loan Agreement.

Pursuant to the UBI Loan Agreement, UBI shall have the right to accelerate the loan and/or terminate the UBI Loan Agreement in the case of a change of the controlling shareholding structure of MZB.

**(iv) *Loan Contract stipulated on 17 February 2014 between the subsidiary Segafredo Zanetti S.p.A. and Banca Nazionale del Lavoro***

On 17 February 2014, Segafredo Zanetti S.p.A., in the quality of borrower, and Banca Nazionale del Lavoro S.p.A., in the quality of lender (“BNL”), stipulated a loan agreement (the “BNL Loan Agreement”), pursuant to which BNL agreed to make available to SZ a loan of € 5,000,000 (the “BNL Loan”).

Pursuant to the BNL Loan Agreement, BNL shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case of modifications to the form or corporate structure of Segafredo Zanetti S.p.A.

\* \* \* \* \*

The Bylaws do not derogate from the passivity rule provisions set forth in Art. 104, paragraphs 1 and 1-*bis* of the Consolidated Law on Finance, nor provide for the application of the neutralization rules provided for by Art. 104-*bis*, paragraphs 2 and 3 of the Consolidated Law on Finance.

**i) *Powers to increase share capital and authorizations for the purchase of treasury shares (ex Art. 123-bis, paragraph 1, letter m) of the Consolidated Law on Finance***

On 15 July 2014, the Shareholders’ Meeting authorized, for a period of 18 months beginning from the Date of Commencement of Trading, the purchase and disposal of treasury shares, to be carried out on regulated markets in compliance with the provisions of Art. 2357 of the Civil Code, Art. 132 of the Consolidated Law on Finance, Art. 144-*bis* of the Issuer Regulation, Regulation EC 2273/2003 as well as in compliance with the market practices defined by Art. 180, paragraph 1, letter c) of the Consolidated Law on Finance, approved by CONSOB resolution No. 16839 on 19 March 2009.

Purchase transactions must comply with a minimum and maximum price having regard to the market price of MZBG ordinary shares and determined in accordance with the criteria detailed in the resolution of the Shareholders’ Meeting.

On the Report Date, the Company had not purchased treasury shares in fulfilment of the resolution of the Shareholders’ Meeting of 15 July 2014.

**l) *Direction and coordination activities (ex. Art. 2497 et seq. of the Civil Code)***

The Company is not subject to any direction and coordination activities and is the parent company of the MZB Group.

As indicated in the previous paragraph 1, the Company exercises the direction and coordination activities, pursuant to Articles 2497 et seq. of the Civil Code, over all Italian companies belonging to the MZB group which are directly or indirectly controlled by the same.

\* \* \*

It is noted that:

- the information required by Art. 123-bis, paragraph 1, letter i) of the Consolidated Law on Finance in relation to “*agreements between companies and directors that provide for payment of compensation in the case of resignation, dismissal without just cause or the termination of the working relationship following a public tender offer*” is given in the Remuneration Report prepared and published in accordance with Art. 123-ter of the Consolidated Law on Finance;
  
- the information required by Art. 123-bis, paragraph 1, letter l) of the Consolidated Law on Finance in relation to “*provisions applicable to the appointment and replacement of directors... and amendments to the Bylaws, if different from legislative or regulatory provisions that may also apply*” is illustrated in the following section 4.1 of this Report dedicated to the Board of Directors.

### **3 COMPLIANCE (EX ART. 123-BIS, PARAGRAPH 2, LETTER A) OF THE CONSOLIDATED LAW ON FINANCE)**

MZBG complies with the Corporate Governance Code, available to the public on the Borsa Italiana website in the Corporate Governance Committee section of the following webpage: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf>.

It is noted that MZBG is a company with shares listed on the “STAR” segment of the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A., as of 3 June 2015.

In this Report, according to the “comply or explain” principle forming the basis of the Corporate Governance Code and in line with EU Recommendation No. 208/2014, disclosure is given as to the recommendations which the Company, at present, has not deemed to adopt, in whole or in part.

Neither the Company nor the subsidiaries with strategic importance are subject to non-Italian provisions of law, which influences the Corporate Governance structure of MZBG.

## **4 BOARD OF DIRECTORS**

### **4.1 APPOINTMENT AND REPLACEMENT (ex art. 123-bis, para. 1, letter l), Consolidated Law on Finance)**

The appointment and replacement of Directors is governed by the regulations in force, as enacted and supplemented, to the permitted extent, by the Bylaws in accordance with the provisions of the Code.

Pursuant to art. 13 of the Bylaws, the Company is managed by a Board of Directors made up of 7 or 15 members. Prior to the appointment thereof, the Shareholders' Meeting shall determine their number within the limits indicated above. The Directors shall be appointed for a period of three years, or for the period established at the time of appointment in any case not exceeding three years, and may be re-elected. Appointment to the office of Director shall be subject to the requisites established by law, the Bylaws and other applicable provisions.

The provisions of the Bylaws governing the composition and appointment of the Board of Directors shall be such as to ensure compliance with the provisions laid down in art. 147-ter of the Consolidated Law on Finance and its implementing rules, as briefly described below.

In particular, art. 13 of the Bylaws provides that the Directors shall be appointed by the Shareholders' Meeting, in compliance with regulations on gender balance in force from time to time, on the basis of lists submitted by shareholders in compliance with the law and regulations in force from time to time, in which no more than 11 candidates in possession of the requisites prescribed by laws and regulations in force from time to time must be listed through the assignment of a consecutive number.

The Board of Directors must include at least 3 (three) Directors who meet the independence requirements established by the law or regulations, including the Code.

Each list must indicate which candidates are in possession of the independence requirements established by the law and the regulations in force from time to time. The independent candidates in each list shall be indicated with the first consecutive numbers, which must be listed in alternation (e.g. numbers 1, 3, 5 etc., or 2, 4, 6 etc. of the list) with the non-independent candidates. The lists must be filed at the company offices and published in accordance with applicable laws.

Each shareholder can submit or concur in the submission of a single list and each candidate can be included in a single list only, under penalty of ineligibility.

The right to submit lists is vested only in shareholders who, alone or together with other shareholders, hold shares representing at least 2.5% of the capital or such different percentage of share capital as established by the law and the regulations in force from time to time.

Together with each list, within the terms provided by the law and the regulations in force from time to time, the following must be filed: declarations by which individual candidates accept their nominations and certify, under their own responsibility, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed by current law for their respective offices. Together with the declarations, a curriculum vitae for each candidate showing his personal and professional characteristics and indicating whether the candidate qualifies as independent under applicable regulations, as well as codes of conduct on corporate governance as adopted by the Company, shall be filed.

Lists presenting three or more candidates must contain candidates of both genders, so that at least one third (rounded up) of the candidates belong to the less represented gender.

Lists for which the above requirements are not satisfied will be deemed not submitted.

Appointed directors shall promptly notify the Board of Directors loss of the independence requirements and of the occurrence of reasons for ineligibility or incompatibility.

Each entitled party can cast its vote for one list only.

After the vote, the appointed candidates will be those from the two lists that will have obtained the higher number of votes, according to the following criteria:

- (a) from the list that receives the majority of votes, a number of directors equal to the total number of members to be elected, except 1 (one) will be taken in the order in which they appear in the list;
- (b) the remaining director will be taken from the second list that has obtained the highest number of votes (the “Minority List”) in the shareholders’ meeting, which is not connected in any way, even indirectly, with those who submitted or voted for the list resulting the first in light of the number of votes received.

In case of parity of list votes, a new vote of the entire Shareholders’ Meeting shall take place and the candidates who will obtain a simple majority of votes will result appointed. If at the end of the voting procedure a sufficient numbers of directors satisfying the independence requirements provided for by the law and regulations in force does not result appointed, the candidate who is not in possession of these requirements and who has been appointed as the last in consecutive order from the list which has obtained the highest number of votes will be excluded and will be replaced by the next candidate possessing the independence requirements from the same list as the excluded candidate. This procedure will be repeated, if necessary, until the number of independent directors to be appointed are in fact appointed.

If, with the candidates appointed in accordance with the above described procedures, the composition of the Board of Directors does not conform to the applicable pro tempore regulations regarding gender balance, the candidate of the more represented gender elected as last in consecutive order from the list which has obtained the highest number of votes shall be replaced by the first non-elected candidate of the less represented gender from the same list. This substitution procedure shall take place until the composition of the Board of Directors conforms to applicable pro tempore regulations regarding gender balance.

If the above procedure does not achieve the intended result, replacement shall take place by resolution of the Shareholders’ Meeting to be taken by relative majority, subject to presentation of candidates from the less represented gender.

In the event of submission of a single list, the directors will be appointed from the list, provided that they have obtained the approval of a simple majority of the votes; if the directors so appointed are not of a number corresponding to the number of Board of Directors’ members as determined by the Shareholders’ Meeting, or if no list is submitted, or in the event that the list submitted does not permit the appointment of independent directors in compliance with statutory and regulatory provisions in force, the Shareholders’ Meeting will resolve with legal majorities, subject to compliance with applicable regulations on gender balance.

The list voting procedure applies only for appointment of the entire Board of Directors.

If during the year one or more of the Directors cease to hold office, the procedure pursuant to art. 2386 of the Civil Code shall apply. If one or more of the ceased Directors had been taken from a list containing also the names of candidates not elected, the replacement is effected by appointing, in consecutive order, candidates drawn from the same list of the ceased Director

and who are still eligible for appointment and are willing to accept the office, or in the absence of such candidates in the list or their unavailability, by appointing another candidate proposed by the Directors drawn from the same list of the ceased Director. In any case, the replacement of ceased Directors is made by ensuring presence of the necessary number of Directors satisfying the independence requirements established by the law and compliance with applicable pro tempore regulations on gender balance. If a majority of the Directors appointed by the Shareholders' Meeting ceases to hold office, the entire Board of Directors is considered as having resigned and the Shareholders' Meeting must be called without delay by the Directors still in office for the appointment of a new Board.

The Shareholders' Meeting may, also during the mandate, vary the number of members of the Board of Directors within the limits mentioned above, and deal with the relevant appointments. The terms of the Directors thus elected shall expire with those in office.

The Bylaws does not require independence requirements in addition to those established by art. 148, paragraph 3, of the Consolidated Law on Finance, nor integrity requirements other than those prescribed by the current legislation.

The Bylaws do not provide professional expertise requirements for appointment to the office of Director.

The Company is not subject to provisions concerning the composition of the Board of Directors in addition to those laid down in the Civil Code and in the Consolidated Law on Finance.

### ***Succession plans***

In consideration of the statutory and legal rules applicable for the appointment and renewal of the Board and taking into account the current composition of the Board and of the delegation of attributed powers, the Board of Directors has considered the adoption of a formal succession plan for Executive Directors to be currently unnecessary.

## **4.2 COMPOSITION (ex art. 123-bis, paragraph 2, letter d), Consolidated Law on Finance)**

The ordinary Shareholders' Meeting of 15 July 2014 appointed with effect until approval of the financial statements for the year closing on 31 December 2016, the Board of Directors currently in office, composed of nine members, including those in possession of the independence requirements provided for by the combined provisions of articles 147-ter, paragraphs 4 and 148, paragraph 3 of the Consolidated Law on Finance, and in accordance with article 3 of the Corporate Governance Code.

At the Report Date, the Board of Directors is composed of the following members:

NAME AND SURNAME	OFFICE
Massimo Zanetti	Chairman and Chief Executive Officer
Matteo Zanetti	Non-Executive Director
Laura Zanetti	Non-Executive Director
Massimo Mambelli	Executive Director
Lawrence L. Quier	Executive Director
Maria Pilar Arbona Palmeiro Goncalves Braga Pimenta	Non-Executive Director
Josè Fernando Pinto dos Santos	Independent Director
Roberto H. Tentori	Independent Director
Annapaola Tonelli	Independent Director

Reference is made to **Table 2** in the appendix for additional details on the composition of the Board of Directors.

Below is a brief profile of each Director in office on the Report Date with a summary of personal and professional résumé.

**Massimo Zanetti** - Born in Villorba (TV), on 12 February 1948. He obtained an honorary degree in natural sciences at the University of Camerino. In 1973 he acquired the Segafredo coffee roasting plant in Rastignano (Bologna) and began expanding abroad. Starting from Europe, he spread through every continent through the acquisition of new companies, roasting plants and coffee plantations, creating the coffee industry's first ever private group, fully integrated through the entire production chain. From 1994 to 1996 he was a Senator of the Italian Republic. He is currently Chairman and Chief Executive Officer of the Issuer and Chairman of various group companies.

**Matteo Zanetti** - Born in Treviso on 8 March 1977. In 1996 he obtained a diploma in accountancy specialising in business economics at the Collegio Pio X, Treviso. From 1997 to 2000 he continued his studies at the University of Bologna's Faculty of Political Science, and at the University of Florence. From 2000 to 2002 he conducted several training/work activities at companies of the MZB Group. Shortly after he founded Segafredo Zanetti Coffee System S.p.A. and became Chairman, a position he still holds. He is also a Board member of the Issuer and of the various MZB Group companies.

**Laura Zanetti** - Born in Treviso on 12 March 1974. She graduated in law at the University of Bologna. She is a partner at the Bernini law firm in Bologna and also collaborates with the legal department and the sales department of Segafredo Zanetti S.p.A. She has been a Director and management consultant of the Fondazione Zanetti no-profit organization since its foundation in 2007, helping children in difficulty in Italy and around the world. He is also a Board member of the Issuer and of the various MZB Group companies.

**Massimo Mambelli** - Born in Bari on 14 November 1957. Graduating in economics at the University of Bologna in May 1981, he worked at BNL from August 1982 to December 1983 and at auditing firm Coopers and Lybrand from January 1984 to October 1988. In November 1988 he joined the Massimo Zanetti Beverage Group as Managing Director of Segafredo Zanetti S.p.A., also taking responsibility for the consolidated financial statements. In November 1993 he began to cover positions at other companies in the Group and became part of the team

that handled the Group's M&A operations, focusing on the administrative and financial aspects. He is also an Executive Director of the issuer and Director of various MZB Group companies.

**Lawrence L. Quier** - Born in Allentown, Pennsylvania, USA, on 16 January 1964, is a US citizen. He holds a Bachelor of Science degree in accounting from Pennsylvania State University and a Master's degree in finance from Johns Hopkins University. He is a certified public auditor. Lawrence L. Quier has over 28 years experience in various financial and management roles at leading companies including the Marriott Corporation, Campbell's Soup, Vlastic Foods International and Sara Lee. Mr Quier also has over 17 years of experience in consumer goods, 13 of which were spent in the coffee industry. He has been at Massimo Zanetti Beverage U.S.A., Inc. since the foundation of the company in December 2005. His current responsibilities include the management of all internal functions of Massimo Zanetti Beverage U.S.A., Inc., including supplies, raw materials, finance, human resources and IT. He was Executive Director of Sara Lee and a member of the team that assisted Sara Lee in the operation of selling the Sara Lee coffee business to the MZB Group in 2005. He is also currently a Director of the Issuer.

**Maria Pilar Arbona Palmeiro Goncalves Braga Pimenta** - Born in Lisbon, Portugal on 9 September 1969, is a Portuguese and Australian citizen. She graduated in economics at the University of Porto, Portugal in 1993 and obtained an MBA from the University of Porto Business School in 1999. She was senior auditor at Arthur Andersen, SA in Porto from 1992 to 1994. Thereafter until 2006 she was first spokesperson for the administration of Segafredo Zanetti Portugal, SA, and then financial controller. From 2006 to 2008 she was CEO at Segafredo Zanetti Portugal, SA. Since 2008 she has been a Director at Segafredo Zanetti Australia Pty Ltd and, since February 2014, a Director at Segafredo Zanetti New Zealand Ltd. He is also currently a Director of the Issuer.

**Josè Fernando Pinto dos Santos** - Born in Porto, Portugal on 25 May 1951, is a Portuguese citizen. He is "Associate Professor in Practice in Global Management" at INSEAD and "*Professor Catedrático Convidado*" at the Portuguese Catholic University (*Universidade Católica Portuguesa*). He has been Senior Lecturer in "Global Economics and Management" at MIT and a Fellow at Cambridge University. He began his career as an engineer in the early '70s before moving into management. After 20 years, ten of which were spent as CEO of the MZB Group, he joined INSEAD in Fontainebleau in 1995 and decided to concentrate on academic work. His work involves research, teaching and consulting on management of multinational companies. He speaks regularly at conferences around the world and works with management teams from multinational companies in Europe, the Americas, and Japan. He is also currently a Director of the Issuer.

**Roberto H. Tentori** - Born in Buenos Aires, Argentina, on 9 April 1951. He has a degree in economics from the University of Turin (1975), has been a member of the Order of Chartered Accountants since 1994 and of the Register of Certified Auditors since 1996. After a short but intense professional career in the industrial and financial sectors, he began working with Deloitte in 1977 and became a partner in 1989. He gained extensive experience with the firm at various levels, working with major industrial, financial and service sectors, before becoming head of the financial services department and then Chief Operating Officer for Central and Southern Italy. From 2007 to 2011 was Chairman of Deloitte & Touche S.p. A and a member of the Board of Directors and Governance Committee of Deloitte worldwide. From 2009 to 2011 he was involved in several internationalisation projects in conjunction with the Italian embassies of Japan, India, Brazil and Argentina. He worked with Deloitte & Touche S.p.A. as Senior Advisor from 2011 to June 2013. The author of several publications, he is currently a member of the Board of Directors of the Italian Entertainment Group S.p.A. and Chairman and Partner of Talos Advisors & Co. (Consulting firm specialising in the field of governance and risk management). On 1 February 2015 he took up the post of Chairman of Grant Thornton Advisory S.r.l., a consultancy firm of the Grant Thornton network in Italy. Since May 2015 he



has been a member of the Board of Auditors of Confindustria. In November 2015 he became a Director of Banca Nazionale del Lavoro S.p.A. Currently, he is also Lead Independent Director of the issuer.

**Annapaola Tonelli** - Born in Bologna on 16 February 1965. A 1991 law graduate from the University of Bologna, she has been a member of the Bologna Bar Association since 1995 and is a partner both of the VTN law firm in Bologna – of which she is a founding member – and Tonelli De Grassi & Partners (ACB Group) in Trieste. She completed a series of Master's in trust from 2000 to 2007 and has been enrolled on the Register of Accredited Professionals of the Trust in Italy Association since its establishment (2012). She regularly holds seminars and lessons in trust relationships, has issued numerous publications and is in ongoing collaboration with the journal *Trust & Attività Fiduciarie*. She is also currently an independent Director of the issuer.

From the Date of Commencement of Trading, no member of the Board of Directors has ceased his office, nor has there been any change in the composition of the Board of Directors.

#### ***Accumulation of offices of director and statutory auditor in other companies***

In line with the recommendations of the Corporate Governance Code, on 3 February 2016 the Board of Directors, on proposal of the Nominating and Remuneration Committee, defined its policy concerning the maximum number of offices as director and statutory auditor deemed compatible with the effective performance of the office of Director of the Company, also taking into account the participation of Directors in committees within the Board.

Under this policy, MZBG Directors accept the office when they believe they can devote the time necessary to the diligent performance of their duties, also taking into account the number of appointments held in management and control bodies of the following other companies (“**Significant Companies**”):

- (i) companies with shares listed on regulated markets, including foreign markets;
- (ii) financial, banking or insurance companies;
- (iii) large companies, meaning companies with a Net Equity (on an individual basis, or where consolidated accounts are prepared, on a consolidated basis) equal to or greater than the consolidated Net Equity of MZBG for the year of reference, not belonging directly or indirectly to the MZB Group.

In particular, the policy approved by the Board provides that:

- (a) each Executive Director: cannot hold the office of executive director in any Significant Company and may serve as a non-executive director or Statutory Auditor in no more than 2 (two) Significant Companies.
- (b) each non-executive director (whether independent or not) can serve as Director or Statutory Auditor in no more than eight (8) Significant Companies.

For the purposes mentioned above, all positions held in any Significant Company belonging to the MZB Group shall be calculated only once.

The MZBG Board of Directors has the power to grant derogations, also of a temporary nature, enabling MZBG Directors to hold positions in the administrative and auditing bodies of Significant Companies, cumulatively exceeding the limits indicated above.

Directors are required to promptly inform the MZBG Corporate Affairs Secretariat of any changes concerning the positions held in Significant Companies.

The MZBG Board of Directors, based on the information received from each Director, records and reports in the Report on Corporate Governance any additional positions held by MZBG directors in Significant Companies.

Based on the information provided by the Directors to the Company - verified by the Secretariat of the Board of Directors and the Nominating and Remuneration Committee - the number of positions currently held by MZBG directors in administrative and auditing bodies of Significant Companies is in line with the policy described above. The information on positions held by MZBG directors in administration and auditing bodies of Significant Companies are shown in the table attached to this Report.

### ***Induction programme***

Having considered the skills and experience of the Company's Directors and Auditors in office since July 2014, the Chairman has not deemed necessary to implement specific induction programme in addition to the specific training and update initiatives carried out in view of the listing for the benefit of the Directors and Auditors. Nevertheless, the Chairman of the Board of Directors of the Issuer ensures that the Directors can acquire sufficient knowledge of the business dynamics of the MZB Group, as well as of the MZB Group's reference market, in order to enable them to participate actively in the decision-making processes of the Company.

## **4.3 ROLE OF THE BOARD OF DIRECTORS (ex art. 123-bis, paragraph 2, letter d) Consolidated Law on Finance (TUF))**

### ***4.3.1 Operation of the Board Of Directors***

MZBG is a company with shares listed on the "STAR" segment of the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A. as of 3 June 2015, the date on which it assumed the status of listed company pursuant to art. 119 of the Consolidated Law on Finance.

After Date of Commencement of Trading and in the Financial Year, the Board of Directors has met 5 times (on 4 June, 28 August, 27 October and 13 November), with an average meeting duration of about 40 minutes.

The actual participation of each Director in meetings of the Board of Directors is shown in **Table 2** in the Appendix.

The meetings recorded a regular participation of the members of the Board of Statutory Auditors and, at the invitation of the Chairman and where appropriate, heads of the company functions from time to time competent in relation to individual items on the agenda.

In the current financial year about 10 meetings of the Board of Directors are planned, four of which (including the one in which this Report was approved) have already been held.

Timeliness and pre-meeting disclosure are assured through the involvement of the competent company structures that assist and coordinate the preparation of documents from time to time needed for specific topics on the agenda.

Transmission of documents to the Directors and Statutory Auditors is supervised by the Corporate Affairs Secretariat, which takes care of it in coordination with the Chairman sufficiently in advance of the meeting date, taking due account of any confidentiality and price

sensitivity requirements related to any topics (such as projects of particular strategic importance to the business of the Company and/or Group, regarding which the Chief Executive Officer reports directly to the board meetings thereby starting the subsequent process of examination and peer review) and the possible urgency of certain topics.

As a practice, a minimum of 3 days notice before the Board meeting has been deemed adequate for the sending of the documentation. This notice period is normally respected.

Meetings of the Board of Directors are also attended by the Chief Financial Officer, in the person of Massimo Mambelli. Attendance at the meeting, at the invitation of the Chairman, may be extended to senior executives with strategic responsibility, as well as to other senior Company and Group executives responsible for the functions relevant to the issues from time to time dealt with by the Board, so that they can provide the most appropriate insights and clarifications during meetings to the Directors and Statutory Auditors.

During Board meetings, the Chairman of the Board of Directors promotes contributions of the directors and any other participants for a constructive and detailed analysis of all the items on the agenda, devoting whatever time is necessary for the examination of the various matters.

#### ***4.3.2 Powers of the Board of Directors and matters reserved to it***

The MZBG Board has a central role in the Company's system of corporate governance and plays a primary role in guiding and managing the entire Group. In addition to the powers granted to the same pursuant to the law and the Bylaws, the Board of Directors has exclusive authority in connection with the most important decisions from a economic and strategic standpoint and in terms of structural incidence on management, or functional to the exercise of monitoring and direction activities of the Company and the Group

It has the power and duty to direct and manage the business, with the goal of maximizing value for shareholders. To this end the Board authorizes the transactions necessary to fulfil the company purpose, except as expressly reserved by the law or the Bylaws to the shareholders.

In addition to exercising the powers conferred upon it by the law, the Board of Directors is authorized to resolve, pursuant to art. 19 of the Bylaws, on: (a) mergers and demergers in the circumstances provided for by the law; (b) the establishment or closure of branch offices; (c) deciding which Directors may represent the Company; (d) the reduction of share capital in the event of withdrawal of one or more shareholders; (e) the adjustment of the Bylaws to provisions of law; (f) the transfer of the company offices within the Italian territory.

The following is also the exclusive responsibility of the Board of Directors:

- (i) the adoption of the corporate governance rules of the Company and the definition of the corporate governance guidelines of the Group;
- (ii) the approval and monitoring of the adequacy of the general organizational, administrative and accounting structure of the Company and the subsidiaries with strategic importance, with particular reference to the internal audit system and the management of conflicts of interest;
- (iii) the granting and revocation of powers to managing directors, by defining the limits and conditions of exercise thereof; the definition also of the periodicity, at the most once per quarter, with which delegated bodies must report to the Board on the activities performed in the exercise of their respective powers;
- (iv) the definition, based on the proposals of the Nominating and Remuneration Committee, of the remuneration policy of the Company pursuant to art. 123-ter of the Consolidated

Act;

- (v) the determination, having examined the proposals of the Nominating and Remuneration Committee and after consultation with the Board of Statutory Auditors, of the remuneration of the managing directors and Directors holding particular offices and, if the Shareholders' Meeting has not already done so, the allocation of the overall remuneration payable to Board members;
- (vi) the evaluation of the general operating performance of the company, by taking into particular account the information received from delegated bodies and by comparing, periodically, planned and achieved results;
- (vii) the examination and prior approval of transactions of the Company and its subsidiaries when such transactions have a significant impact on the strategy, profitability, assets or financial position of the Company, by paying particular attention to situations where one or more Directors hold an interest on their own behalf or on behalf of third parties;
- (viii) the establishment and appointment of the Nominating and Remuneration Committee, the Audit and Risk Committee, the Committee for Related-Party Transactions, as well as any additional internal advisory and propositional committees;
- (ix) the appointment and revocation of the manager in charge of the preparation of corporate accounting documents in accordance with the law and the Bylaws;
- (x) the approval of internal procedures and organizational safeguards as provided for by applicable laws and regulations and as recommended by the Corporate Governance Code (including, by way of non-exhaustive examples, the procedure for transactions with related parties, the internal procedure for management and maintenance of the insider register and the processing of confidential information, and the procedure on internal dealing);
- (xi) the approval of transactions with related parties, where the Company and/or companies of the MZB Group are parties, pursuant to the laws and regulations from time to time in force, as well as of procedures regarding transactions with related parties from time to time adopted by the Company, with the exception of transactions with related parties having a minimum value based on the parameters identified in said procedures;
- (xii) the assumption, modification and termination of contractual relationships with executives and key managers, in both cases that report directly to the managing directors;
- (ii) the approval of single transactions for an amount not exceeding € 1,000,000 for the purchase and/or sale of controlling stakes in companies or other legal entities, businesses/business units and/or immovable property;
- (xiv) corporate reorganization transactions having a significant impact on the Group, as a whole;
- (xv) the approval of stock option plans and incentive plans generally, pursuant to the laws and regulations from time to time in force and in compliance with the remuneration policy adopted by the Company;
- (xvi) the preparation, examination and approval of the financial statements and the strategic, industrial and financial plans of the Company and the Group;

- (xvii) any act of disposal or acquisition relating to patents, trademarks, distinctive marks, copyrights or other intellectual property rights;
- (xviii) the entry into of consulting agreements (including consulting agreement for advertising, publicity and sales promotion), the total amount of which exceeds € 500,000 per year each, or whose duration exceeds 36 months irrespective of the amount;
- (vi) the issue of guarantees within an overall maximum amount greater than € 1,000,000 for each financial year

#### ***4.3.3 Evaluation of the adequacy of the organizational, administrative and accounting structure of the Issuer and its strategic subsidiaries***

On 2 March 2016, the Board of Directors of MZBG positively evaluated the adequacy of the organizational, administrative and accounting structure and in particular the internal audit and risk management systems of the Company, as better described in paragraph 10 below.

#### ***4.3.4 Evaluation of the general operating performance***

In compliance with the recommendations set out in art. 1, paragraph 1, letter e) of the Corporate Governance Code and the provisions of art. 19.3 of the Bylaws, the Managing Director has reported to the Board of Directors and the Board of Statutory Auditors on the general operating performance of the Company, at the meetings of the Board of Directors held on 28 August and 13 November 2015. The Board of Directors has therefore evaluated and monitored the general operating performance of the Company, taking into account the information provided by the Managing Director and periodically comparing results achieved with those planned on the basis of the strategic, industrial and financial plans of the Company and the Group.

#### ***4.3.5 Significant transactions of the Issuer and its subsidiaries***

Regarding the transactions of the Company and its subsidiaries, when these transactions have a significant impact on the strategy, the profitability, the assets or the financial position of the Company itself, as described above, they are reserved for the exclusive competence of the Board of Directors, which applies the criteria and the general limits described above in paragraph 4.3.2.

#### ***4.3.6 Board Evaluation***

In accordance with the recommendation set out in art. 1 paragraph 1, letter g) of the Corporate Governance Code, the Board of Directors in its meeting of 2 March 2016 carried out the evaluation of the operation of the Board itself, of the Nominating and Remuneration Committee, of the Audit and Risk Committee and of the Committee for Related-Party Transactions, as well as of their size and composition, taking into account the professional characteristics, managerial experience, gender and seniority of the members (so called *board evaluation*).

For the purposes of supporting the board evaluation, the Nominating and Remuneration Committee has prepared and distributed a questionnaire in Italian and English (for the benefit of foreign Directors), asking each Director to make an evaluation on the basis of qualitative parameters, comments, notes, suggestions for improvements and suggestions regarding the size and operation of the MZBG Board of Directors, the Nominating and Remuneration Committee, the Audit and Risk Committee and the Committee for Related-Party Transactions. The questions were formulated on the basis of the recommendations on role, composition and operation set out in the Corporate Governance Code and, in particular, in articles from 1 to 7.

The answers and considerations of the Directors in response to the questionnaire were analyzed by the Nominating and Remuneration Committee and then submitted anonymously and on an aggregate basis to the Board of Directors at its meeting of 2 March 2015, after which the Board, unanimously, has positively evaluated the operation thereof and of the Nominating and Remuneration Committee, the Audit and Risk Committee and the Committee for Related party Transactions, as well as their respective size and composition.

#### ***4.3.7 Derogations from non-compete provisions***

The MZBG Shareholders' Meeting has not authorized on a general and advanced basis, derogation from non-compete provisions provided for by article 2390 of the Civil Code. As of the Report Date, there have been no cases that have required an evaluation of the Board on the application of the derogation.

### **4.4 DELEGATED BODIES**

#### **4.4.1 MANAGING DIRECTORS**

In accordance with Article 20 of the Bylaws and within the limits set forth in Article 2381 of the CC, the Board of Directors may delegate its attributions to one or more of its members, by determining the content, the limitations and any manner for the exercise thereof.

The Board of Directors, upon proposal of the Chairman of the Board of Directors and in agreement with the delegated bodies, may delegate powers for single acts or categories of acts also to other members of the Board of Directors .

Delegated bodies may, within the scope of delegated powers, delegate same for single acts or categories of acts to employees of the Company and third parties, with faculty of sub-delegation.

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By resolution dated 15 July 2014, the Board of Directors of MZBG has appointed Dr Massimo Zanetti as Managing Director and Chief Executive Officer of the Company. By subsequent resolution passed on 18 September 2014 as integrated by resolution on 27 February 2015, the Board of Directors has granted to the Managing Director Dr Massimo Zanetti the functions, responsibilities and powers specified hereunder.

The Managing Director is the hierarchical head of the enterprise and of all its structures. In such role and subject to the resolutions of the Board of Directors, the Managing Director shall:

- within the scope of the powers granted and in accordance with the general guidelines that the Board of Directors may decide to adopt from time to time, ensure that the organizational, administrative and accounting structures of the Company and the Group are suitable for the nature and size of the relevant business;
- promote, co-ordinate and supervise the management of the Company and of the Group;
- develop industrial, financial, and organizational strategic plans for the Company and the Group, and submit them to the competent corporate bodies for the relevant evaluations and determinations;
- at least on a quarterly basis, report to the Board of Directors and the Board of Statutory Auditors on the activities carried out in exercising the functions and powers conferred to him, on the Company's general performance and on the foreseeable evolution thereof, on

current operations, as well as on most significant transactions for size and characteristics carried out by the Company or its subsidiaries, with a particular focus on those that are atypical, unusual or with Related Parties;

- draw up all company matters for the purpose of the resolutions to be adopted by the Board of Directors and ensures execution of such resolutions by the General Manager;
- set up, chair and co-ordinate intragroup operational committees and request to the corporate bodies or to the management of the subsidiaries to check all such useful data or information as it is appropriate or necessary for better carrying out his functions;
- co-ordinate and supervise the activities of the General Manager in relation to personnel policy by determining the guidelines that the latter must conform with in managing human resources and by supervising implementation thereof.
- supervise the correct functioning of the corporate governance rules, in order to report to the Board of Directors that is exclusively responsible for the definition of a system of corporate governance;
- supervise and co-ordinate activities related to national and international external relations with institutions, authorities, third party bodies and individuals, the press, the media, trade associations and the scientific community.

The Managing Director is granted all ordinary management powers in relation to the undertaking of ordinary commitments and the execution of payments for single transaction or related transactions up to an amount of € 500,000, amount that is deemed appropriate for the purpose of the current ordinary management of the Company, and which are not attributed to the exclusive authority of the Board of Directors pursuant to board resolution or pursuant to Article 2381 of the CC. The Managing Director shall also have all the powers identified below within the limits established for each of them from time to time, which powers can be exercised by single signature and can be sub-delegated to Company's employees or third party attorneys.

A. Strategic Management:

- (i) except as otherwise provided, carry out all operations and activities set forth in the budget approved by the Board of Directors, in accordance with the limits and terms provided for therein;
- (ii) approve transactions for the purchase and/or sale of controlling stakes in companies or other legal entities, business/business units and/or immovable property, having a value, for each transaction, not exceeding € 1,000,000;
- (iii) carry out corporate restructuring transactions not having a significantly impact on the Company or the Group belonging to the Company, as a whole;
- (iv) implement the following strategic business initiatives:
  - (a) (business) development in geographic areas other than those where the Company and the Group have a traditional presence;
  - (b) launch of new products;
- (v) make investments and/or disinvestments for which there are no provisions in the budget as approved by the Board of Directors for amounts not exceeding € 1,000,000;

- (vi) issue guarantees not exceeding the overall maximum amount of € 1,000,000 for each financial year.
- B. Marketing and Promotional Activities:
- (i) oversee marketing and promotional activities, including signing and terminating consulting agreements with Agencies or other entities relating to advertising, propaganda and sales promotion, each for an overall amount that does not exceed € 500,000 per annum, or for contractual terms that do not exceed 36 months irrespective of the relevant amount value.
- C. Consulting:
- (i) commission consulting services to third parties, each for overall amounts not exceeding € 500,000 per annum or for a term not exceeding 36 months irrespective of the relevant amount, establish and pay the applicable fees and issue receipts within the limits established herein.
- D. Intellectual Property, Authorizations and Licenses:
- (i) undertake all necessary or useful actions as may be required to apply for, obtain and maintain patents, sign all necessary instruments for the formalization of granted powers, appoint patent agents in Italy and abroad to this end and provide them with the applicable mandates;
  - (ii) perform all actions and operations as required with public authorities, public and private entities and offices in Italy and abroad for obtaining concessions, licences and all types of authorizations, stipulate and sign regulations, conventions, deeds of submission or any other precursory deed as required for such purposes; fulfil all applicable requirements including those related to tax laws, tax on production and consumption (excise duties), revenue and monopoly duties;
  - (iii) submit applications and carry out with any public or private office in Italy and abroad any action as may be necessary, precursory, functional or in any case related to the process of registration, modification, maintenance or deletion of patents, designs and domain names;
  - (iv) commission and revoke professional consulting services in relation to intellectual property for the purpose of carrying out the procedures that are required in relation to the registration and renewal of all intellectual property rights of the Company, such as by way of example, trademarks, patents, designs and domain names, each for an overall amounts not exceeding € 500,000 per annum or for a term not exceeding 36 months irrespective of the relevant amount;
  - (v) appoint and revoke consultants and lawyers in relation to the protection of intellectual property in an administrative and judicial context and in all legal proceedings where the Company may be involved as plaintiff or defendant in Italy or abroad for all of the Company's intellectual property rights;
- E. Human Resources:
- (i) stipulate, modify and terminate individual work contracts for key managers, and other managers, who do not report directly to the Managing Director, also for the



purpose of implementing the remuneration policy approved by the Board of Directors;

- (ii) manage the human resources policy of the Company, also for the purpose of implementing the remuneration policy approved by the Board of Directors, provide the guidelines for the human resources policy, define and ensure adequate motivation, training, remuneration and development;
- (iii) provide guidelines to the Nominating and Remuneration Committee in relation to the remuneration of managers with strategic responsibilities;

F. Representation:

- (i) sign all correspondence and any other document that needs to be signed by the Company;
- (ii) represent the Company with any ordinary or special judicial, administrative or fiscal authority for all proceedings at all levels of judgment in any venue, including arbitration bodies, with the authority to undersign petitions, appeals, settlements pursuant to Legislative Decree No. 218/1997, applications for exemptions and reimbursements, minutes and other written documents addressing any matter, lodging or seconding any sort of civil, criminal, fiscal or administrative proceedings, including inquisitorial and executive proceedings, promissory note proceedings, initiation of civil proceedings enjoining criminal prosecution proceedings, and also bankruptcy, composition, moratorium and administration proceedings, performing all related formalities and therefore including the granting of special powers of attorney and special mandates to attorneys in fact and lawyers, elect domicile, appoint and revoke mediators
- (iii) settle by arbitration, even amicably, any dispute whatsoever involving the Company, nominate and revoke arbitrators; propose, undersign both in-court and out-of-court settlements, minutes of settlement pursuant to Article 48 of the Legislative Decree No. 546/1992 within the limit of liability for the Company of € 500,000 for each dispute;
- (iv) represent the Company in any tax dispute with any tax authority or office including commissions for the determination of levies, duty, cadastral revenue and expert panels;
- (v) represent the Company in Italy and abroad in its relationship with applicable public authorities and bodies, private and public offices, banks and financial institutions and investors;
- (vi) represent the Company with trade unions and trade and sector associations and consortia in general.

The Managing Director Massimo Zanetti is not a director of any other listed issuer, whose Chief Executive Officer is a director of the Company.

\* \* \* \* \*

By resolution dated 15 July 2014, the Board of Directors of MZBG appointed Dr Massimo Mambelli as *Chief Financial Officer* of the Company. By subsequent resolution of 18 September 2014, and further integrated by resolutions dated 27 February 2015 and on 27

February 2016, the Board of Directors granted to Dr Massimo Mambelli the functions, responsibilities and powers specified hereunder.

Director Massimo Mambelli is responsible for the administrative, financial and accounting management of the Company and the Group (Chief Financial Officer); in compliance with the resolutions of the Board of Directors and as directed by the Managing Director, the Chief Financial Officer shall:

- supervise the administrative, financial and accounting management of the Company by assigning appropriate functions and providing guidelines to the personnel for the purpose of ensuring an adequate organization ;
- ensure the co-ordination and the correct implementation of the planning and budgeting process, providing support to the functional managers in the formulation and formalization of forecasts, by assessing the compatibility of the single annual operational plans with business objectives;
- manage the drawing up of the Company's financial statements;
- with the support of professional, provide for the determination and optimization of the Company's fiscal dues.

Director Massimo Mambelli shall have the powers identified below that can be exercised by single signature including the power of sub-delegation to Company's employees or third party attorneys, coordinating such powers with the powers that are reserved exclusively to the Board of Directors and without prejudice to the powers granted to the Managing Director pursuant to the resolution in the foregoing point 3:

A. Banking and Financial Transactions - Collection, disposal and payments

- (i) open and close any type of current account with any bank, financial institution or post office and carry out treasury management transactions;
- (ii) issue invoices, debit and credit notes, make deposits into the Company's current accounts both in cash and by cheque;
- (iii) endorse, negotiate, recall, receipt and cash cheques and promissory notes made out in the name of the Company or transferred to the Company, dispose of the relative amount deposited in Company's current accounts, have them protested;
- (iv) request and take delivery of cheques for use on the Company's bank accounts;
- (v) make transfers between different accounts of the Company and collect payments on behalf of and for the benefit of the Company;
- (vi) deposit for custody or administration purposes, and withdraw issuing a withdrawal receipt, securities, instruments, valuables in general with/from authorized intermediaries and banks;
- (vii) issue bank cheques, promissory notes, draw or accept bills of exchange, request banker's drafts within the limits of the Company's overdraft facility and in any case within the limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;

- (viii) request advances against whichever form of credit, within the limits of the Company's overdraft facility, negotiating terms and conditions;
- (ix) within the limits of the Company's overdraft facility, request and negotiate terms and conditions for: (a) advances against contracts signed by the Company and/or against the concession documentary credit in favour of the Company; (b) financing for importation and/or opening of documentary credit; (c) short term financing;
- (x) order partial or total transfers or withdrawals from the Company's bank accounts within the limits of the Company's overdraft facility and in any case within the limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xi) sign "foreign currency declarations" in accordance with the applicable currency exchange regulations;
- (xii) activate night safe and safe deposit box services;
- (xiii) assign receivables, sign leasing and factoring contracts and execute all related transactions within the limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xiv) fulfil all of the Company's payment obligations deriving from existing financing contracts at the applicable expiry dates;
- (xv) demand and collect any amount that is owed to the Company for any reason by whomsoever, by carrying out all actions that are necessary for such purpose, depositing the collected funds in the Company's bank accounts and issuing the relative receipts;
- (xvi) take out loans or other forms of financial debt and make payments in a single transaction or a series of linked transactions within the limits of the Company's overdraft facility and in any case up to an amount of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xvii) grant loans up to a limit of € 300,000 per single transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xviii) grant guarantees, pledges and mortgages on assets that forms part of the Company's assets up to a limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xix) issue and undersign requests of notices, information, other documents, statements and certificates as may be requested by public authorities, private and public bodies, banks and financial institutions;
- (xx) constitute and retrieve security deposits held by Ministries, Public Debt Offices, La Cassa Depositi (Italian Deposit Fund), Tax Offices, Customs, municipal, provincial and regional authorities and any other public body or office up to a limit of € 300,000 per single transaction;

## B. Taxes and Duty

- (i) undersign any declaration that is required under national and foreign tax regulations for determining duty, tax and any other state or local administration levy such as, but not necessarily limited to, the Company's annual income tax return, the declaration that is due by the Company in its capacity as a tax withholding agent and the periodical Value Added Tax declaration;
- (ii) sign applications, oppositions and any other deed related to levies, taxes and duty such as, by way of non-exhaustive examples, requests for the reimbursement of erroneously paid tax, certifications of revenues paid by third parties, statistical notifications, attestations related to the application of the provisions of International double taxation (avoidance) treaties;
- (iii) represent the Company with any national or foreign financial or customs administrative body that is authorized to check or ascertain the payment of taxes, duty or any other levy, including local administration bodies of competent jurisdiction for taxes and any other state or local administration levy;
- (iv) promote any action and oppose any action initiated by third parties or by the tax authority, in the judicial forum of competent jurisdiction for taxes and any other state or local administration levies. Represent the Company at any stage or level of judgment of judicial proceedings with the power to appoint and revoke lawyers, and to define and sign in-court and out-of-court settlements;
- (v) pay taxes, levies and any other form of contribution that the Company is required to pay to public authorities, and any other amount due in relation to the exercise of the powers referenced in the foregoing points;

C. Representation

In relation to operations, acts and contracts executed in exercising the powers granted:

- (a) sign all correspondence and any other document that needs to be signed by the Company;
- (vi) represent the Company with financial and economic associations and trade and sector consortia in general.
- (v) represent the Company in Italy and abroad in its relationship with applicable public authorities and bodies, private and public offices, banks and financial institutions and investors;

D. Powers of Authorization

Authorize, by signature, all of the General Manager's acts and operations that require the joint signature of the General Manager and the Chief Financial Officer.

E. Consulting:

- (i) commission consulting services to third parties, each for overall amounts not exceeding € 300,000 per annum or for a term not exceeding 24 months irrespective of the relevant amount, establish and pay the applicable fees and receive receipts within the limits established herein.

#### 4.4.2 CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors is vested with all powers provided by the law and the Bylaws regarding the functioning of corporate bodies and legal representation of the Company with third parties.

The Chairman of the Board of Directors, appointed by resolution of the Shareholders' Meeting on 15 July 2014, is Dr Massimo Zanetti who is also the Managing Director (Chief Executive Officer) with the powers described in the foregoing paragraph. He therefore holds most of the responsibility in relation to the management of the Company, also in consideration of his strategic role in relation to key decisions related to the development and management of the Company and the Group.

The Chairman of the Board of Directors, Dr Massimo Zanetti, through the directly controlled company MZ.Industries S.A. also exercises legal control over MZBG pursuant to Article 93 of the Consolidated Law on Finance (TUF).

In light of the fact that the roles of Chairman of the Board of Directors, Managing Director (Chief Executive Officer) and controlling Shareholder are concentrated in Mr Massimo Zanetti, on 15 July 2014 the Board of Directors designated the independent director Roberto H. Tentori as lead independent director effective as of the Date of Commencement of Trading, thereby adhering to the recommendations of Articles 2.C.3 e 2.C.4 of the Corporate Governance Code (see Paragraph 4.7 below).

Pursuant to Article 23 of the Bylaws, legal representation of the Company and Company signatory powers are vested with the Chairman and, in the event of absence or impediment, with the vice-Chairman.

The Chairman of the Board of Directors exercises the functions provided for by applicable laws and regulations and the Bylaws. In particular he: (a) represents the Company; (b) chairs the Shareholders' Meeting; (c) calls and chairs the Board of Directors; sets the agenda, coordinate the relevant works and ensures that the members of the Board are provided with adequate information on the items on the agenda; (d) verifies implementation of the resolutions of the Board of Directors.

#### **4.4.3 EXECUTIVE COMMITTEE (pursuant to comma 2, letter d) of Article 123-bis of the Consolidated Law on Finance (TUF))**

No Executive Committee was set up as of the Report Date.

#### **4.4.4 INFORMATION TO THE BOARD OF DIRECTORS**

Pursuant to Article 19.3 of the Bylaws and in accordance with best practices, the Managing Director reports to the Board of Directors and the Board of Statutory Auditors at least once every quarter and in any case whenever a meeting of the Board of Directors is held, on the activities carried out, the management of the Company and its foreseeable evolution, as well as on the most significant transactions for their relevance to the Company's business, financial conditions and assets or in any case for their size and characteristics carried out by the Company or its subsidiaries; in particular, he reports on transactions for which there is an individual or a third party interest or on transactions that are influenced by the counterparty being involved in direction and co-ordination activities, if any.

For more information on the information provided by the Managing Director to the Board of Directors after the Date of Commencement of Trading see the foregoing Paragraph 4.3.

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

In addition to the Chairman and Managing Director, directors Larry Quier and Massimo Mambelli are to be deemed Executive Directors. In particular:

- (i) Larry Quire holds the position of Chief Operating Officer and Chief Financial Officer of Massimo Zanetti Beverage U.S.A. Inc., a strategic subsidiary of MZBG,
- (ii) Massimo Mambelli was appointed Chief Financial Officer of MZBG (with the functions described in detail in the foregoing Paragraph 4.4.1) by the Board of Directors on 15 July 2014, effective as of the Date of Commencement of Trading and, in accordance with the recommendations of Articles 7.C.4 of the Corporate Governance Code, director in charge of the Internal Audit System and Risk Management with the functions described in detail in the following Paragraph 10.1.

#### **4.6 INDEPENDENT DIRECTORS**

Adhering to the recommendations of Article 3 of the Corporate Governance Code and in accordance with the provisions of Article 13.4 of the Bylaws, described in the foregoing Paragraph 4.1, 3 Independent Directors are members of the Board at the date of this Report, in person of Roberto H. Tentori, José Fernando Pinto dos Santos and Annapaola Tonelli, who also fulfil the independence requirements jointly provided by Paragraph 4 of Article 147-ter and Paragraph 3 of Article 148 of the Consolidated Law on Finance (TUF).

The Company deems that an adequate number of Independent Directors has thus been set, also for the purpose of setting up the Committees described in the following Paragraphs 7, 9 and 11.

During the Board Meeting of 15 July 2014, the Board of Directors ascertained that the Directors Roberto H. Tentori, José Fernando Pinto dos Santos and Annapaola Tonelli fulfilled the independence requirements as jointly provided by Paragraph 4 of Article 147-ter and Paragraph 3 of Article 148 of the Legislative Decree No. 58 dated 24 February 1998 in addition to the requirements of Article 3 of the Corporate Governance Code.

The annual check of maintenance of the aforesaid requirements by each of the non-executive members of the Board as recommended in Articles 3.C.1 and 3.C.2 of the Corporate Governance Code was carried out by the Board of Directors on 3 February 2016. To this end, only the assessment parameters provided in the Code and the Consolidated Law on Finance were used and no quantitative and/or qualitative criteria was used to assess the significance of the relationships under assessment, .

During the meeting of 3 February 2016, the Board of Statutory Auditors ascertained correct application of the criteria and assessment procedures used by the Board of Directors to assess the independence of its members.

Finally, it should be noted that the Directors Roberto H. Tentori, José Fernando Pinto dos Santos and Annapaola Tonelli, in their declarations attesting possession of the requirements for their appointment, indicated that they were eligible to qualify as independent and, simultaneously, committed to promptly notify the Board of Directors and the Board of Statutory Auditors of any changes relating to the fulfilment of such requirements, including their independence requirements and of any other circumstance that could disqualify them from holding their offices.

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

As stated in the foregoing Paragraph 4.4.2, in light of the fact that the roles of Chairman of the Board of Directors, Managing Director (Chief Executive Officer) and controlling Shareholder of MZBG are concentrated in Mr Massimo Zanetti, and notwithstanding centrality of the role

and powers of the Board of Directors in the governance of the Company which adequately counterbalance the concentration of roles conferred upon Mr Massimo Zanetti, on 15 July 2014 the Board of Directors of the Company designated, effective as of the Date of Commencement of Trading, the independent director Roberto H. Tentori a lead independent director, thereby adhering to the recommendations of Article 2.C.3 of the Corporate Governance Code, with the following duties as recommended in Article 2.C.4 of the Code:

- (a) represent a point of reference and co-ordination for initiatives and contributions of non-executive directors and in particular for independent directors; and,
- (b) co-operate with the Chairman of the Board of Directors for the purpose of ensuring that the directors receive comprehensive and timely information.

The Lead Independent Director took up office on 3 June 2015 and for that reason he could start to perform his functions only from that date by taking part in meetings of the Board of Directors and chairing the Audit and Risk Committee and the Related-Party Transaction Committee.

## 5 PROCESSING OF COMPANY INFORMATION

Communication with the market and with institutional investors must comply with the “*Internal procedure for the handling and processing of confidential information and for the external communication of documents and information regarding Massimo Zanetti Beverage Group S.p.A. and its subsidiaries*”, approved by the Board of Directors on 15 July 2015 (and subsequently supplemented by resolution of 27 January 2016), which governs the handling and processing of confidential information and the rules for the external communication of documents and information regarding MZBG and its subsidiaries, with particular reference to Privileged Information as defined by Article 181 of the Consolidated Law on Finance, and taking into account, more generally, the laws and regulations in force concerning prevention and repression of market abuse (“**Procedure on Privileged Information**”). This procedure is effective as of the Date of Submission of the Application for Admission to Trading i.e., 7 August 2014.

By resolutions approved on 15 July 2014, the Board of Directors also adopted:

- (i) the procedure for managing and updating the register of persons having access to privileged information, established by the Board of Directors on the same date, in accordance with the legal and regulatory provisions in force from time to time governing access to privileged information, contained in Article 115-*bis* of the TUF and in Articles 152-*bis* to 152-*quinquies* of the Consob Issuer Regulations, which require that listed issuers set up and manage a register of persons who, based on their working or professional activity or on their entrusted duties, have access to the privileged information indicated in Article 114.1 of the Consolidated Law on Finance. This procedure, supplemented by resolution of the Board of Directors of 27 January 2016, is effective as of the Date of Application for Admission to Trading i.e., 7 August 2014;
- (ii) the procedure for managing reporting obligations deriving from the regulation of internal dealing pursuant to Article 114.7 of the Consolidated Law and Finance and to Articles 152-*sexies*, 152-*septies* and 152-*octies* of the Issuers’ Regulation, intended to regulate disclosure obligations to Consob and to the public associated with the fulfilment by “relevant subjects” and their “close associates”, identified in accordance with Article 114.7 of the Consolidated Law on Finance and Article 152-*sexies* of the Issuers’ Regulation, of transactions related to financial instruments issued by the Company or its subsidiaries. This procedure, supplemented by resolution of the Board of Directors of 27 January 2016, is effective as of the Date of Commencement of Trading i.e., 3 June 2015.

In line with the highest standards of governance, members of the Board of Directors and the Board of Statutory Auditors, persons holding managerial or executive responsibilities within the Company or its subsidiaries who are listed in the permanent section (Section A) of the register of persons having access to privileged information, as well as “relevant subjects” and their “close associates” identified according to the internal dealing procedure, are prohibited from carrying out purchase, sale, subscription and exchange of ordinary MZBG shares and any connected financial instruments identified in accordance with the internal dealing regulations, during the so-called black-out period of 15 (fifteen) days prior to the public dissemination of preliminary or final economic/financial data for the period.

The texts of these procedures are available on the Company’s website at the address [www.mzb-group.com](http://www.mzb-group.com) under the section “*IR/Corporate Governance/Corporate Documents*”, which are incorporated herein by reference.



## **6 BOARD COMMITTEES (PURSUANT TO ARTICLE 123-BIS.2(D) OF THE CONSOLIDATED LAW ON FINANCE)**

The Company, in view of its listing and in order to fall in line with the best practices on corporate governance adopted by listed companies and as provided by the Corporate Governance Code, has established, by resolution of the Board of Directors of 15 July 2014 and effective as of the Date of Commencement of Trading, the Nominating and Remuneration Committee and the Audit and Risk Committee, by approving their internal operating regulations in implementation of the recommendations contained in Articles 4, 5, 6 and 7 of the Corporate Governance Code.

By the same resolution the Board of Directors also established, in implementation of the requirements under the Regulations on Related-Party Transactions and effective as of the Date of Commencement of Trading, the Committee for Related Party Transactions, approving its internal operating regulations.

By resolution of 27 January 2016, the Board of Directors of the Company updated the regulations of the Nominating and Remuneration Committee, the Audit and Risk Committee and the Committee for Related Party Transactions.

In accordance with the aforementioned recommendations of the Code, the internal regulations of the Nominating and Remuneration Committee and of the Audit and Risk Committee provide that each committee be composed of three non-executive directors, all independent.

As of the Report Date, no further committees have been established besides those recommended by the Corporate Governance Code.

## **7 NOMINATING AND REMUNERATION COMMITTEE**

### **7.1 COMPOSITION AND OPERATION OF THE COMMITTEE**

In consideration of the organizational needs of the Company, its operating procedures and the size of its Board of Directors, the Company has established a single nominating and remuneration committee, in accordance with Articles 4, 5 and 6 of the Corporate Governance Code.

As indicated in point 6 above, the Nominating and Remuneration Committee was established by resolution of the Board of Directors of 15 July 2014, effective as of the Date of Commencement of Trading.

The Nominating and Remuneration Committee is made up of the following 3 Independent Directors: Anna Paola Tonelli, Roberto H. Tentori and José Fernando Pinto dos Santos.

The activities of the Nominating and Remuneration committee are coordinated by the Chairperson Anna Paola Tonelli.

At the time of his appointment the Board has assessed that the Director Roberto H. Tentori possesses adequate knowledge and experience in the field of accounting and finance.

Following the Date of Commencement of Trading and during the Financial Year, the Nominating and Remuneration Committee met on 1 occasion for a duration of approximately two and a half hours. The actual participation of each member in the meetings of the Nominating and Remuneration Committee is shown in **Table 2** in the Appendix.

It is expected that there will be 8 meetings in 2016, of which 5 have already been held.

The above meetings of the Nominating and Remuneration Committee were also attended by the Chairman of the Board of Statutory Auditors and, upon specific invitation, by the Chief Financial Officer.

### **7.2 FUNCTIONS OF THE COMMITTEE**

The Nominating and Remuneration Committee has the task of assisting the Board of Directors with propositional and consultative functions, in its assessments and decisions regarding the composition of the Board of Directors and the remuneration of directors and senior executives with strategic responsibilities.

More specifically, the Nominating and Remuneration Committee is assigned the following tasks:

- A. as regards nominations:
- (i) provide opinions to the Board of Directors regarding the size and composition of the Board;
  - (ii) make recommendations concerning professional figures whose presence within the Board of Directors is deemed appropriate;
  - (iii) make recommendations concerning the maximum number of roles as director and statutory auditor deemed compatible with an effective performance of the office of Director, taking into account the participation of the Directors in the Board committees. In this respect it makes recommendations to help identifying

general criteria, differentiated on the basis on the commitment related to each role, in relation also to the nature and size of the Company;

- (iv) where, in order to address organizational needs, the Shareholders' Meeting authorizes, generally, derogation from non-compete provisions provided for by Article 2390 of the Italian Civil Code, provide opinions to the Board of Directors so that the latter may assess each case individually and report any issues to the Shareholders' Meeting;
- (v) propose to the Board of Directors candidates for the role of director in case of co-optation, where independent directors are to be replaced;
- (vi) where the Board of Directors adopts a succession plan for Executive Directors, conduct a preliminary scrutiny on such plan.

B. As regards remuneration:

- (i) periodically assess the adequacy, general consistency and specific application of the remuneration policy adopted for Executive Directors, other Directors with specific duties and managers with strategic responsibilities, in the latter case using information provided by the Managing Director and the HR Manager of the Group and making proposals to the Board in this respect;
- (ii) submit proposals and deliver opinions to the Board of Directors on the remuneration of executive Directors and of the other Directors with specific duties, as well as on the setting of performance objectives linked to the variable component of said remuneration by monitoring the application of the decisions adopted by the Board of Directors, and verifying, in particular, the actual achievement of the performance objectives.

The Committee meets regularly, as often as necessary to carry out its activities, usually on the meeting dates as set in the annual meeting schedule approved by the Committee itself.

Committee meetings shall be called by the Chairman upon written request of even a single member.

The Head of Legal and Corporate Affairs of MZBG fulfils the role of secretary and assists the Committee in carrying out its activities. In the event of absence or impediment, the Committee can appoint another Secretary for the meeting, including individuals who are not members of the Committee.

Non-members may attend Committee meetings at the invitation of the Committee Chairman and participate in discussions on single items on the agenda. Invited persons are not entitled to vote. The Chairman of the Board of Statutory Auditors, or other statutory auditor designated by the former, shall also participate in the committee meetings, as well as other members of the Board of Statutory Auditors may do so.

In line with the recommendations of Article 6.C.6 of the Corporate Governance Code, no director can participate in the Committee meetings at which proposals to the Board of Directors are discussed in relation to his/her remuneration.

The Secretary shall take minutes of the Nominating and Remuneration Committee meetings. The Chairman and the Secretary shall sign the minutes of the meeting. The Committee Chairman shall report to the Board of Directors at the immediately next meeting thereof.

In carrying out its duties, the Committee may have access to any information or other corporate function as required for the fulfilment of its duties and may avail itself of external consultants wherever the Chairman deems it appropriate or where he is asked to do so by another member or by a managing director, provided that such external consultants are not in situations that compromise their independent judgment and are not simultaneously providing to the HR Department, to Directors or to managers with strategic responsibilities services, the relevance of which is such that it may compromise their independent judgment.

The Chairman of the Nominating and Remuneration Committee reports to (i) the Board of Directors at least once every six months on the activities carried out by the Committee, and (ii) the Shareholders' Meeting once a year, on the occasion of the approval of the annual financial statements, on the way that it carries out its functions.

The Nominating and Remuneration Committee reported to the Board of Directors on its activities in the Financial Year at the Board meeting held on 27 January 2016. Specifically, in the Financial Year, the activities of the Nominating and Remuneration Committee focused primarily on drafting the incentive plan for executive directors, the general manager and managers with strategic responsibilities of MZBG.

The Committee submits an expense budget once a year to the Board of Directors not later than the date of approval of the draft annual financial statements. By resolution of 3 February 2016, the Board of Directors, upon proposal of the Nominating and Remuneration Committee, has assigned to the Committee an expense budget for the performance of the Committee's activities in 2016.

## **8 REMUNERATION OF DIRECTORS**

For complete information regarding the remuneration of directors, reference is made to the Remuneration Report published in accordance with Article 123-ter of the Consolidated Law on Finance, available on the MZBG website at [www.mzb-group.com](http://www.mzb-group.com) in the section “*IR/Shareholders*”.

## **9 AUDIT AND RISK COMMITTEE**

### **9.1 COMPOSITION AND OPERATION OF THE AUDIT AND RISK COMMITTEE**

As indicated in the preceding Paragraph 6, in accordance with the recommendations of Article 7 of the Corporate Governance Code, effective as of the Date of Commencement of Trading, the Board of Directors of the Company set up an Audit and Risk Committee and approved its operational regulations.

The Audit and Risk Committee is made up of the following 3 Independent Directors: Roberto H. Tentori, Annapaola Tonelli and José Fernando Pinto dos Santos.

The activities of the Audit and Risk Committee shall be co-ordinated by the Chairman Roberto H. Tentori.

At the time of his appointment, the Board has assessed that the Director Roberto H. Tentori possesses adequate knowledge and experience in the field of accounting, finance and risk management.

Following the Date of Commencement of Trading and during the Financial Year the Audit and Risk Committee met on 2 occasions with an average meeting duration of approximately two and a half hours. The actual participation of each member in the meetings of the Audit and Risk Committee is shown in **Table 2** in the Appendix.

It is expected that there will be 8 meetings in 2016 of which 2 have already been held.

In the Audit and Risk Committee meetings the following persons have participated: Chairman of the Board of Statutory Auditors (2/2) and Standing Auditors (1/2) and, upon specific invitation, the Chief Financial Officer (2/2), the Head of the Internal Audit Function (1/2), the manager in charge of the preparation of corporate accounting documents (2/2), the auditing firm (1/2).

### **9.2 FUNCTIONS OF THE AUDIT AND RISK COMMITTEE**

The Audit and Risk Committee has the task of assisting the Board of Directors with propositional and consultative functions, in its assessments and decisions regarding the Internal Audit and Risk Management System and the approval of the periodical financial reports.

In particular, in accordance with the provisions of Article 7, application criterion 7.C.1, the Audit and Risk Committee provides the Board of Directors with an opinion in relation to:

- (a) the definition of guidelines for the Internal Audit and Risk Management System so that the main risks concerning the issuer and its subsidiaries are properly identified, adequately measured, managed and monitored, determining compatibility criteria between identified risks and prudent and correct management of the Company consistent with identified strategic objectives;
- (b) assessment, to be conducted at least once a year, of the adequacy and effectiveness of the Internal Audit and Risk Management System with respect to the characteristics of the Company and its risk profile, and its effectiveness;
- (c) the approval, at least once a year, of the work plan prepared by the Head of the Internal Audit Function, after consultation with the Board of Statutory Auditors and the Director in charge of the Internal Audit System and Risk Management;

- (d) the description in the Report on Corporate Governance of the main characteristics of the Internal Audit and Risk Management System, and the way in which the individuals involved are coordinated, expressing its own assessment of its adequacy;
- (e) valuation, after consultation with the Board of Statutory Auditors, of the conclusions shown in the Auditing Firm's Report, in the Auditing Firm's recommendations letter, if any, as well as in the Auditing Firm's report on fundamental issues that emerged during the legal audit, if any; and
- (f) the appointment and revocation of the Head of the Internal Audit Function.

In providing assistance to the Board of Directors, the Audit and Risk Committee shall:

- (i) assess, together with the manager in charge of the preparation of corporate accounting documents, after consultation with the Auditing Firm and the Board of Statutory Auditors, the correct application of the adopted accounting principles and their uniformity for the purpose of drawing up the consolidated financial statements;
- (ii) express opinions on specific aspects related to the identification of the main company risks;
- (iii) examine the periodical reports on the assessment of the Internal Audit and Risk Management System as well as those of particular relevance prepared by Internal Audit function;
- (iv) monitor the autonomy, the adequacy the efficiency and the effectiveness of the Internal Audit function;
- (vi) request the Internal Audit function to carry out checks on specific operative areas, notifying at the same time the Chairman of the Board of Statutory Auditors;
- (vii) report to the Board of Directors at least once every six months, on the approval of the annual and the semi-annual financial statements, on the activities carried out and the adequacy of the Internal Audit and Risk Management System;
- (viii) support, with adequate supporting activities, the assessments and the decisions of the Board of Directors in relation to the management of risk deriving from prejudicial facts or circumstances of which the Board of Directors has become aware of.
- (ix) assess any information that may be reported by the Director in charge of the Internal Audit System and Risk Management in relation to problems and critical issues pertaining to the Internal Audit and Risk Management System of the Company and undertake the appropriate measures.

The Committee meets regularly, as often as necessary to carry out its activities, usually on the meeting dates as set in the annual meeting schedule approved by the Committee itself.

Committee meetings shall be called by the Chairman upon written request of even a single member.

The Head of Legal and Corporate Affairs of MZBG fulfils the role of secretary and assists the Committee in carrying out its activities. In the event of absence or impediment, the Committee can appoint another Secretary for the meeting, including individuals who are not members of the Committee.

The Chairman of the Board of Statutory Auditors, or another statutory auditor designated by him, shall participate in the committee meetings, and the other members of the Board of Statutory Auditors can in any case participate. Moreover, the Chairman can invite one or more members of the Board of Directors, managers of the Auditing Firm and/or any other collaborator, and/or consultant and/or employee of the Company or any of its subsidiaries, to participate in Committee meetings in relation to one or more items on the agenda and in all cases without voting right.

The Secretary shall take minutes of the Audit and Risk Committee meetings. The Chairman and the Secretary shall sign the minutes of the meeting. The Chairman shall report to the Board of Directors at the immediately next meeting thereof.

In carrying out its duties, the Committee may have access to information and corporate functions as required for the fulfilment of its duties as well as avail itself of external consultants provided that such external consultants are not in situations that compromise their independent judgment.

The Chairman of the Audit and Risk Committee reports to (i) the Board of Directors at least once every six months on the activities carried out by the Committee, and (ii) the Shareholders' Meeting once a year, on the occasion of the approval of the annual financial statements, on the way that it carries out its functions.

The Audit and Risk Committee reported to the Board of Directors on its activities in the Financial Year at the Board meetings of the 27 January 2016 and 2 March 2016. In particular, during the Financial Year, the activities of the Audit and Risk Committee focused on:

- (i) the analysis of the working structure and activities of the Internal Audit function;
- (ii) the analysis of corporate risks and of the organizational safeguards set up by the Group audit function for managing said risks.

The Committee submits an expense budget once a year to the Board of Directors not later than the date of approval of the draft annual financial statements.

By resolution of 3 February 2016, the Board of Directors, upon proposal of the Audit and Risk Committee, has assigned to the Committee an expense budget for the performance of the Committee's activities in 2016.



## 10 THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

The Internal Audit and Risk Management System adopted by MZBG, in accordance with the recommendations of Article 7 of the of Corporate Governance Code and sector best practices, is the set of rules, procedures and organizational structure aimed at enabling, through an adequate process of identification, measurement, management and monitoring of the main risks to which the Company and its subsidiaries are exposed, a sound and correct management of the Company coherent with the identified strategic objectives.

The Internal Audit and Risk Management System involves each with its own responsibilities, the following:

- the Board of Directors that defines the guidelines and assesses the adequacy of the Internal Audit and Risk Management System;
- the Audit and Risk Committee with the tasks, in addition to the duties described in the preceding Paragraph 9, of supporting, with appropriate supporting activities, the assessments and the decisions of the Board of Directors relating to the system, and the decisions relating to the approval of the periodical financial reports;
- the Director in Charge of the Internal Audit and Risk Management System, Dr Massimo Mambelli with the task, in addition to the duties specified in detail in the next Paragraph 10.1, of identifying the main Company's risks and implementing the guidelines defined by the Board of Directors;
- the Head of Internal Audit, Fidital Revisione S.r.l., represented by Shareholder Dr Gerardo Diamanti, with the task of checking that the Internal Audit and Risk Management System is working and that it is adequate, in accordance with the duties that are described in detail in the next Paragraph 10.2;
- the Board of Statutory Auditors that monitors the effectiveness of the Internal Audit and Risk Management System.

Considering the complexity of management activities and taking into account that the assumption of risk represents a fundamental and unavoidable component of a business activity, the Board of Directors has evaluated the importance of advanced identification and mapping of the main risks before they become manifest, and to adopt appropriate tools to manage them and to reduce their impact.

The Company has therefore set up a risk assessment process which is the basis for identifying the main corporate risks, the checks and safeguarding activities for each risk and the assessment of each risk. The setting up of risk assessment was inspired by the CoSO Report models - Integrated Framework and CoSO Enterprise Risk Management issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Consistent with such purpose, the risk management model that the Company is implementing has the objective of defining, on a reasonable basis, intervention priorities, taking into account the size of the Company and the Group and the business priorities in order to reduce residual risk to an acceptable level.

The MZBG Risk Management model is in addition:

- extended to all types of potentially significant risk;

- focused on risks that are most relevant depending on their potential to jeopardize the attainment of strategic objectives or adversely affect strategic corporate assets;
- based on a quantitative approach i.e., it is based, wherever possible, on a specific measurement of risks impact on the expected financial and business results on the basis of their likelihood of occurrence;
- integrated in the business and decision making processes and, in particular, in the strategic operational planning process and in the investment projects.

On 2 March 2016 the Board of Directors, upon proposal of the Director in Charge of the Internal Audit and Risk Management System and having received a favorable opinion from the Audit and Risk Committee and the Board of Statutory Auditors, approved the document (entitled “Risk Assessment 2016”) that identifies the main business risks (the “risk assessment” phase), describes the activities and the controls that are set up as a safeguard against each risk and assesses each risk (the “risk management” phase).

MZBG Risk Assessment 2016 takes into account four macro-categories of risk that enable the management to identify the objectives, the control model and the management tools:

- business and strategic risks, i.e. the current and future risks of reductions of profits or assets deriving from changes in the operational context or wrong business decisions, inadequate implementation of decisions, poor reactivity to changes in the context of competition;
- operational risk, i.e. the risk of suffering losses due to the inadequacy or inefficiency of procedures, of human resources or internal systems, or due to external events. Such definition includes legal risk; strategic and reputational risk are not included;
- regulatory risk, i.e. the risk of incurring administrative fines or judicial sanctions, significant financial loss or damage to reputation as a result of breaking mandatory laws or regulations or self-regulatory codes (e.g. Bylaws, codes of conduct or corporate governance codes);
- information risk, i.e. risk associated with the possibility that information used for taking strategic, operational or financial decisions and/or information made available to the public, whether or not of strategic, operational or financial nature, turns out to be insufficient or incorrect thereby invalidating a correct deployment of the decision making process and/or diminishing the appreciation of the Group by the market.

It is a duty of the Board of Directors to coordinate and supervise the risk management process so that risks that are taken in the context of the business activity are coherent with the approved business strategies, by defining the threshold of acceptable risk.

The Audit and Risk Committee shall have the duty to assist the Board of Directors in:

- (i) identifying and assessing, at least once a year, the main risks of the Company and its subsidiaries so that they can be adequately monitored;
- (ii) define and update, at least once a year, the risk mitigation plans and in general the risk management plans in order to maintain the overall level of exposure to risk within an acceptable threshold.

The Director in Charge of the Internal Audit and Risk Management System shall have the duty to:

- (i) identify the main corporate risks, taking into account the characteristics of the business and the operations carried out by the Company and the Group;
- (ii) take care of the design, implementation and management of the Internal Audit and Risk Management System and continuously check its adequacy and effectiveness.

With reference to the outcome of the activities that were carried out, the Director in charge of the Internal Audit and Risk Management System and the Audit and Risk Committee, have highlighted, to the extent of their responsibility, that the current Internal Audit and Risk Management System is adequate having regards to the size and the operating and organizational structure of the Group.

In the context of the above descriptions with reference to the document entitled “Risk Assessment 2016”, on 2 March 2016 the Board of Directors of the Company, having acquired the opinion of the Audit and Risk Committee and the Director in charge of the Internal Audit and Risk Management System, concluded that the Internal Audit and Risk Management System is substantially adequate, by highlighting the system’s capability to mitigate each of the risks described above.

Moreover, on 2 March 2016, the Board of Directors, after consultation with the Board of Statutory Auditors and the Director in charge of the Internal Audit and Risk Management System approved the 2016 work plan drawn up by the Head of Internal Audit.

***Main characteristics of the Internal Audit and Risk Management System in relation to the financial reporting process pursuant to Paragraph 2, letter b) of Article 123-bis of the Consolidated Law on Finance***

The Internal Audit System is an integral part of the financial reporting process and is part of the wider context of the Internal Audit and Risk Management System. In general, the Company's internal audit system is aimed at ensuring safeguarding/protection of corporate assets, compliance with the laws and regulations, efficiency and effectiveness of business operations as well as reliability, accuracy and timeliness of financial reporting.

The internal audit system on financial reporting is focused on identifying and assessing events that, where occurring, may jeopardize the credibility, accuracy, reliability and timeliness of financial information and the ability of the process of drawing up financial statements as a whole of producing financial information in accordance with the applicable accounting principles.

The approach for developing the control model for the financial reporting process was inspired by international standards, the sector best practices and the guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The administrative and accounting procedures for drawing up the annual financial statements and any other financial report are established by the manager in charge of the preparation of corporate accounting documents (the “**Designated Manager**”) who, together with the Chairman of the Board of Directors, certify the adequacy and actual application of such procedures at the time of the approval of the annual financial statements and the semi-annual financial statements.

***a) Existing Internal Audit and Risk Management System phases related to the Financial Reporting Process***

The Internal Audit and Risk Management System of the Group defines a methodological approach in relation to the financial reporting process that is articulated in three phases:

1. risk assessment to identify and assess risks related to corporate data reporting;
2. identification of controls for the identified risks;
3. periodical assessment of the controls identified in the previous phase.

#### *Phase 1: Risk Assessment*

Risk assessment represents the process of identification of risks related to the accounting data reporting (risk of unintentional error or fraud that can have an effect on financial reporting), and is carried out under the responsibility of the Designated Manager at least once a year. In the context of such process, a set of objectives that the system intends to achieve are identified for the purpose of ensuring a true and correct representation of such reporting.

The process described above was conducted by the Designated Manager of MZBG for the purpose of determining the perimeter of “relevant” companies in terms of potential impact on corporate reporting, the balance sheet items and information that are significant for such purpose and the associated company processes.

#### *Phase 2: Identification of checks for the identified risks*

In view of companies, balance sheet items and processes deemed relevant, the identification of the controls that are necessary to mitigate the risks identified in the previous phase is made by taking into account the control objectives associated with financial reporting. In particular, the balance sheet items that are classified as relevant are linked with the underlying company processes for the purpose of identifying controls that are suitable to address the objectives of the internal audit system for financial reporting.

On the basis of the methodological approach described above, MZBG initiated a process for the implementation of an accounting and administrative control system, the goal of which is the analysis of the development of the control activities that the various company departments must set up within the framework of their own responsibility. The modular process that MZBG adopted enables the implementation of the control “Model” adopted by MZBG, as the Group parent company, for all the relevant companies on the basis of an implementation plan that is prepared by the Designated Manager and approved by the Audit and Risk Committee.

#### *Phase 3: Periodical assessment of the controls identified in the previous phase*

Periodical assessment activities of the accounting and administrative control system are carried out at least once a year for the purpose of ensuring an adequate financial reporting in the context of the drafting of the statutory and consolidated annual financial statements. Controls are subject to periodical assessment for adequacy (control design) and actual operation (execution of control activity in line with the control design) through specific testing, according to best practice in such context.

When carrying out the above activities, the Designated Manager will consider, on a case by case basis, the involvement of the corporate functions and subsidiary representatives as he may deem necessary.

Furthermore, on a half yearly basis, the Designated Manager prepares a summary report with the results of the assessment of the controls for the previously identified risks on the basis of the monitoring activities that were carried out. Once the summary report has been shared with the Managing Director, it is delivered to the Board of Statutory Auditors of MZBG, the Audit and Risk Committee and the Board of Directors.

**(b) *Roles and Functions involved***

The internal audit and risk management system of the financial reporting process is coordinated and managed by the Designated Manager, Dr Massimo Zuffi, appointed by the Board of Directors in accordance with the applicable laws and the Bylaws.

The Designated Manager avails himself of the *Internal Audit* function to carry out checks on the operation of the control system, and he is supported by function managers who, according to their area of responsibility, ensure a comprehensive and reliable flow of information for the purpose of preparing financial documentation.

The Designated Manager is directly responsible for checking that administrative, accounting and financial management activities are promptly and correctly carried out, given that it is his duty to continuously supervise all monitoring and assessment phases of the risks associated with the financial reporting process.

The Designated Manager periodically informs the Board of Statutory Auditors in relation to the adequacy, including organizational adequacy, and reliability of the administrative and accounting system and reports to the Audit and Risk Committee and the Board of Directors on the activities carried out and on the effectiveness of the Internal Audit System with reference to the risks associated with financial statements reporting.

At the end of all the activities and controls, the Designated Manager issues the declarations and attestations provided for in Article 154-*bis* of the Consolidated Law on Finance (TUF). In particular, pursuant to:

- (i) Article 154-*bis*, Paragraph 2 of the Consolidated Law on Finance, acts and communications of MZBG, addressed to the general public in relation to accounting information, including communications issued in the course of the financial year, shall be accompanied by a written declaration of the Designated Manager attesting the consistency thereof with documentary evidences and the accounting books and records;
- (ii) Article 154-*bis*, Paragraph 5 of the Consolidated Law on Finance, with reference to the annual financial statements, the semi-annual financial statements and the consolidated financial statements, the Designated Manager and the Managing Director shall issue a report for the purpose of attesting to:
  - a) the adequacy and the actual application of administrative and accounting procedures during the period covered by the documents;
  - b) the fact that the documents are drawn up in accordance with international accounting principles recognized by the European Union as per regulation (CE) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002;

- c) the fact that the documents are consistent with the results of accounting books and records;
- d) the suitability of the documents to provide a true and fair representation of the balance sheets, profit and loss account and financial position of the issuer and all the subsidiaries included in the consolidation;
- e) the fact that, as far as the annual financial statements and the consolidated financial statements are concerned, the report on operations includes a reliable analysis of the performance trend, the result of operations and the situation of the issuer together with the subsidiaries included in the consolidation and a description of the main risks to which they are exposed;
- f) the fact that, as far as the semi annual financial statements are concerned, the intermediate report on operations contains a reliable analysis of information required by Paragraph 4 of Article 154-ter of the Consolidated Law on Finance (TUF).

#### **10.1 DIRECTOR IN CHARGE OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

In support of the internal audit and risk management system, on 15 July 2014 and effective as of the Date of Commencement of Trading, the Board of Directors of the Company appointed Mr Massimo Mambelli as Executive Director in charge of the internal audit and risk management system, thus implementing the recommendations contained in Articles 7.P.3(a) and 7.C.4 of the Corporate Governance Code.

In implementation of his duties, as described in paragraph 10 above, during the Financial Year and in first few months of the 2016 financial year, the Director in charge of the internal audit and risk management system, with the support of the managers in charge of the different areas of reference:

- (i) identified business risks taking into account the business strategies and characteristics of the Company and of the Group;
- (ii) implemented the guidelines set forth by the Board, planning, implementing and managing the internal audit system and constantly monitoring its general suitability and efficiency;
- (iii) adjusted the internal audit system to the business dynamics and new operating conditions within the relevant normative and regulatory framework.

Mr Massimo Mambelli has the power to ask the Internal Audit department to perform audits on specific areas of operation and on compliance with the internal rules and procedures in the implementation of business operations, keeping the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors up-to-date.

As of the Report Date, in carrying out his duties, the Director in charge of the internal audit and risk management system has not identified, nor has he had knowledge of, any issues that need to be immediately reported to the Audit and Risk Committee and to the Board of Directors.

#### **10.2 RESPONSIBLE OF THE INTERNAL AUDIT FUNCTION**

In the context of the listing procedure, on 15 July 2014 and effective as of the Date of Commencement of Trading, the Board of Directors appointed Fidital Revision S.r.l., represented by Mr Gerardo Diamanti, as responsible of the Internal Audit function, thus complying with the recommendations set forth in Articles 7.P.3(b) and 7.C.5 of the Corporate Governance Code.

The appointment, which has a three-year renewable term, includes a pre-determined remuneration for activities related to financial years 2015 and 2016 and which is to be determined for the activities related to financial year 2017.

The responsible of the Internal Audit function is not in charge of any operating areas and reports directly to the Board of Directors and, as part of his duties, ensures that all relevant information is provided to the Director in charge of the internal audit and risk management system, to the Board of Statutory Auditors and to the Audit and Risk Committee.

During the Financial Year, the Responsible of the Internal Audit function:

- (i) had direct access to all information necessary per for the performance of his duties;
- (ii) verified the functioning and suitability of the internal audit and risk management system, including through an audit plan, approved by the Board and based on a structured process of analysis and prioritization of main risks;
- (iii) drafted periodic reports containing appropriate information on his activity, on the risk management procedures followed and on compliance with the plans drawn up to mitigate risks, as well as assessing the suitability of the internal audit and risk management system, which he submitted to the Chairmen of the Board of Statutory Auditors, to the Audit and Risk Committee and Board of Directors and to the Director in charge of the internal audit and risk management system;
- (iv) verified, as part of the audit plan, the reliability of information systems, including accounting systems;
- (v) reported on his activities to the Audit and Risk Committee and to the Board of Statutory Auditors;
- (vi) reported on his activities to the director in charge of the internal audit and risk management system.

The responsible of the Internal Audit function reported on his activities during the Financial Year to the Board of Directors, to the Board of Statutory Auditors, to the Audit and Risk Committee and to the Director in charge of the Internal Audit and Risk Management System in his report dated 27 January 2016.

### **10.3 ORGANIZATIONAL MODEL pursuant to Legislative Decree 231/2001**

By resolution dated 8 May 2015, the Board of Directors of the Company adopted the organizational and management and control model pursuant to Legislative Decree No. 231 of 8 June 2001 (“**Model**”).

The Model was subsequently supplemented by resolutions of the Board of Directors of the Company dated 28 August 2015 and 8 March 2016.

The MZBG Model consists of two parts.

The first is a general part which sets out the goals, the addressees, the governance system and the components of the preventive control system of the Model and, in line with the requirements contained in Legislative Decree 231/2001, the structure, duties and powers of the Oversight Committee, which, in accordance with Article 6 of Legislative Decree 231/2001, has the task of monitoring the implementation of, and the compliance with, the model.

The first part of the Model also sets out the training and information activities addressed to the Company's personnel on the content of the Model and on the disciplinary system in case of violations of the provisions of the Model.

The second part of the Model is a special part divided into sections which contains a description of the relevant crimes, the specific business activities which are sensitive or at risk, the general behavioral principles to be observed and the specific safeguards (preventive control procedures and systems).

The Model, on the basis of the results of the risk mapping conducted in view of its adoption, is intended to prevent the categories of crimes indicated in the following articles of Legislative Decree 231/2001:

- Article 24 – Misappropriation of funds, fraud against the State or a public body or to obtain public funds and computer fraud against the State or a public body;
- Article 24-*bis* – Computer crimes and unlawful processing of data;
- Article 25 – Bribery, illegal inducement to give or promise benefits and corruption;
- Article 25-*ter* – Corporate crimes and crimes between private parties;
- Article 25-*sexies* – Market abuse;
- Article 25-*septies* – negligent manslaughter or negligent serious or very serious bodily injury, deriving from violation of the rules on the protection of health and safety at work;
- Article 25-*octies* – Receiving stolen goods, money laundering, self-laundering and use of money, goods or assets of illicit origin;
- Article 25-*novies* – Crimes involving violation of copyright;
- Article 25-*decies* – Induction not to give statements or to give false statements in court;
- Article 25-*undecies* – Environmental crimes;
- Article 25-*duoecies* – Employment of third-country nationals staying in the country illegally.

The internal audit system outlined in the Model is supplemented by the Company Code of Ethics, which lays down the corporate reference values for all Group companies, indicating the rights, duties and responsibilities of corporate bodies, directors, managers, employees, auditors, agents, collaborators and anyone operating significantly or continuously in the name, on behalf or in the interest of MZBG or of the Group.

The general part of the Model and the Code of Ethics are available on the Company's website at the address [www.mzb-group.com](http://www.mzb-group.com) under the section “*IR/Corporate Governance*”.

As of the Report Date, the Oversight Committee is composed of a sole individual in person of Barbara Stramignoni.

For full compliance with Legislative Decree 231/2001, the Oversight Committee reports directly to the Company's Board of Directors and is not linked to business operations by any hierarchical constraint, so as to ensure its full autonomy and independence in the performance of its duties.

The Oversight Committee reported to the Board of Directors on its activity carried out during the Financial Year in a report dated 29 February 2016.



The boards of directors of the Italian subsidiaries Segafredo Zanetti S.p.A., Segafredo Zanetti Coffee System S.p.A. and La San Marco S.p.A., by resolutions dated 13 November 2015, 25 November 2015 and 26 November 2015, respectively, approved the adoption of their organizational and management models in accordance with Legislative Decree No. 231 of 8 June 2011, which are similar in nature to the model adopted by MZBG, and proceeded to appoint their own Oversight Committee.

#### 10.4 EXTERNAL AUDITORS

In accordance with Article 13 of Legislative Decree No. 39 of 27 January 2010, the ordinary Shareholders' Meeting of the Company on 31 March 2015, upon proposal of the Board of Statutory Auditors, resolved to entrust to the external auditor PricewaterhouseCoopers S.p.A., which has its registered office at Via Monte Rosa n. 91, Milan and is listed at no. 43 in the special register of external auditors kept by the Ministry of Economy and Finance and in the Register of Certified Auditors under registration no. 119644, the auditing of statutory annual financial statements and of the Group consolidated financial statements for the financial years closing from 31 January 2015 to 31 January 2023; the limited auditing of the semi annual consolidated financial statements for the same nine-year period, and overseeing the correct keeping of accounts and reporting of management activity in account entries during those financial years.

#### 10.5 MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS AND OTHER COMPANY ROLES AND DUTIES

On 15 July 2014, the Board of Directors, in compliance with Article 154-*bis* of the Consolidated Law on Finance and with the requirements set forth in Article 19.4 of the Bylaws, having received the favorable opinion of the Board of Statutory Auditors, appointed Mr Massimo Zuffi as manager in charge of the preparation of corporate accounting documents ("**Designated Manager**"), effective as of the Date of Commencement of Trading.

Article 19.4 of the Bylaws states that the Designated Manager is appointed, having received the mandatory yet non-binding opinion of the Board of Statutory Auditors, from among individuals with significant professional experience in the sector of accounts, economy and finance, for at least five years.

Without prejudice to point 10 above, in accordance with the laws in force, the Designated Manager is entrusted to:

- (i) lay down appropriate administrative and accounting procedures for drawing up statutory and consolidated financial statements, as well as any other financial communications;
- (ii) issue written statements certifying that Company acts and communications released to the market concerning the Company's account information (including infra-annual) are consistent with the documentary evidences, and accounting books and records;
- (iii) provide, together with the Managing Director, the attestations pursuant to Article 154-*bis*.5 of the Consolidated Law on Finance, by way of a report issued according to the model established under the CONSOB regulations, to be attached to the annual financial statements, the semi annual financial statements and the consolidated financial statements;
- (iv) participate in meetings of the Company's Board of Directors where the agenda includes examination of the Company's economic/financial data;

- (v) report without delay to the Managing Director and to the Board of Directors, including through the Audit and Risk Committee, any significant aspects which he considers to be incorrect and which must therefore be declared in the attestations pursuant to Article 154-*bis* of Legislative Decree 58/1998;
- (vi) issue twice-yearly reports to the Board of Directors, to the Audit and Risk Committee and to the Board of Statutory Auditors on the activities carried out.

At the time of his appointment, the Board attributed to the Designated Manager all powers and resources needed to carry out the duties attributed to him under the laws in force and the Bylaws, including direct access to all functions, offices and information necessary for the production and verification of account, financial and economic data, without the need for any additional authorization.

As of the Report Date, the Company's Board of Directors has not appointed any additional internal audit and risk management managers other than those described above.

## **10.6 COORDINATION BETWEEN SUBJECTS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

During the 2015 financial year, MZBG did not formalize specific procedures for coordination between subjects involved in the internal audit and risk management system, considering that the existing internal procedures and regulations allow for an efficient performance of control activities.

It should be noted that, since the Date of Commencement of Trading, the committees formed within the Board of Directors (the Audit and Risk Committee, the Nominating and Remuneration Committee and the RPT Committee) have all retained the same composition of independent directors, ruling out the need to establish coordination procedures.

Regarding the subjects and departments involved in the internal audit and risk management system, it should be noted that, in compliance with the principle of segregation of responsibilities, the rules of all the committees expressly provide that the Chairman of the Board of Statutory Auditors and one Standing Auditor are to be invited to participate in the meetings of those committees, and it is the faculty of the committees to invite to their meetings other subjects whose presence is considered useful in relation to the matters to be discussed.

Notwithstanding the foregoing, for the 2016 financial year, MZBG plans to organize two annual sessions for coordination between subjects involved in the internal audit and risk management system in order to maximize the efficiency of the system and to minimize any overlapping of activities.

## 11 INTERESTS OF DIRECTORS AND RELATED PARTY TRANSACTIONS

In accordance with art. 25 of the Bylaws, the Company approves transactions with related parties in compliance with the provisions of law and regulations in force, the provisions of the Bylaws and the procedures adopted to this end.

On 15 July 2014, in the context and of and for the purposes of the listing, the Board of Directors approved a draft of the “Procedure for Related Party Transactions” pursuant to article 2391-*bis* of the Civil Code and the Regulations on Related-Party Transactions.

Such procedure, following the successful completion of the listing, was submitted to the Related Parties Committee, consisting solely of independent Directors, and following their favorable opinion after transposition of certain integrations, was definitively approved by the Board of Directors by resolution of 28 August 2015 (the “**RPT Procedure**”).

In accordance with the Regulations on Related-Party Transactions, the RPT Procedure regulates the methods of scrutiny and approval of transactions with related parties defined as being of greater significance on the basis of the criteria set out in the Regulations on Related-Party Transactions, and of related party transactions defined as being of lesser significance, namely those different from transactions of greater importance and from transactions of modest amounts under the Regulations on Related-Party Transactions.

Considering that the transactions of greater significance with related parties are those in which the significance index of the counter value or of the assets or liabilities exceeds the threshold of 5%, in order to facilitate a timely identification and continuous monitoring thereof, the RPT Procedure entrusts to the manager in charge of the preparation of corporate accounting documents the task of:

- (i) periodically identifying capitalization values on the basis of: data published by Borsa Italiana S.p.A; the Group’s consolidated net equity; and the last published periodic accounting document, on the basis of which the significance indices are calculated;
- (ii) registering and updating the counter value of related party transactions which are homogeneous by nature or fall under a unified plan, and are carried out with the same related party of the Company or with entities related to the latter and to the Company, without prejudice to the application of the exemptions referred to in art. 13 of the RPT Procedure.

The RPT Procedure is not applied to transactions that have an amount or a counter value not exceeding € 150,000.

The Company, being recently listed, avails itself of the derogation granted by article 10 of the Regulations on Related-Party Transactions; therefore the approval of related-party transactions of greater significance is made in accordance with the procedure laid down for the approval of related-party transactions of lesser importance.

The RPT Procedure shall be adapted to the provisions thus derogated within ninety days from the first renewal of the Board of Directors after the close of the second financial year after the year of listing.

Without prejudice to the disclosure obligations provided for by the law and the RPT Procedure, related party transactions must be approved by the body responsible for the adoption of the decision pursuant to the law and the Bylaws, after obtaining a reasoned and non-binding opinion on the appropriateness and substantive correctness of the conditions relating to the transaction, expressed by a committee (the “**RPT Committee**”).

The RPT Committee, established by resolution of the Board of Directors on 15 July 2014 effective as of the Date of Commencement of Trading, is composed of the following three independent Directors: Annapaola Tonelli, Roberto H. Tentori and Josè Fernando Pinto dos Santos.

The activities of the RPT Committee are coordinated by the Chairman Roberto H. Tentori.

Following the Date of Commencement of Trading and during the Financial Year, the RPT Committee met on three occasions with a meeting duration of approximately two hours. The actual participation of each member in RPT Committee meetings is shown in **Table 2** in the Appendix.

It is expected that there will be 4 meetings in 2016 of which 2 have already been held.

The above meetings of the RPT Committee were also attended by the Chairman of the Board of Statutory Auditors (2/3) and, upon specific invitation, the Chief Financial Officer (2/3).

The RPT Committee has the task of assisting the Board of Directors, with propositional and consultative functions, in its assessments and decisions, by expressing a reasoned opinion on the Company's interest in implementing transactions falling within the Procedure for Transactions with Related Parties of the Company, and on the appropriateness and substantive correctness of the relative conditions.

The RPT Committee shall, in particular:

- (a) analyze the content of the procedure prepared by the Company, assessing the legal compliance thereof and the adequacy thereof to the management complexity of the Company;
- (b) express and convey to the Board of Directors a reasoned binding opinion setting out the results of the assessment referred to in point (a);
- (c) with regard to transactions of lesser significance to be carried out by the Company with an related entity:
  - (i) evaluate the Company's interest in implementing the proposed transaction;
  - (ii) evaluate the appropriateness and substantive correctness of the conditions of the proposed transaction;
  - (iii) express and convey to the Board of Directors a reasoned, non-binding opinion that explains the outcomes of the evaluations referred to in points (i) and (ii) above, in accordance with the procedure governing transactions with related parties adopted by the Company and from time to time in force;
- (d) with regard to transactions of greater significance to be implemented by the Company with a related entity, in addition to the activities described in paragraph (c), points (i), (ii) and (iii):
  - (i) is involved in the negotiation stage and scrutiny stage through deliver of a complete and timely information flow; and
  - (ii) has the right to request information and make observations to the delegated bodies and the persons in charge of communication of negotiations and

scrutiny. The provisions of paragraphs (c) and (d) also apply to transactions reserved to resolution of the shareholders' meeting and to any framework resolutions.

In carrying out its duties, the RPT Committee can have access to information and to corporate functions as required for the fulfilment of its duties, and may avail itself of external consultants provided that such external consultants are not in situations that compromise their independent judgment.

The RPT Committee submits an expense budget once a year to the Board of Directors not later than the date of approval of the draft annual financial statements. By resolution dated 3 February 2016 the Board of Directors, upon proposal of the RPT Committee, has assigned to the Committee an expense budget for the performance of the Committee's activities in 2016.

The RPT procedure can be consulted on the Company's website [www.mzb-group.com](http://www.mzb-group.com) in the section "*IR/Corporate Governance/Corporate documents*", which is incorporated herein by reference for any additional detail.

As of the Report Date, the Board of Directors has not deemed necessary to adopt, in addition to the RPT Procedure and the disclosure requirements provided for by art. 2391 of the Civil Code, a specific procedure for the identification and management of situations in which a Director has a personal interest on his own behalf or on behalf of third parties.

## **12 APPOINTMENT OF AUDITORS**

Pursuant to art. 24 of the Bylaws, the standing and alternate auditors are appointed by the Shareholders' Meeting, in compliance with applicable pro tempore regulations regarding gender balance, on the basis of lists submitted by shareholders in compliance with the law and regulations from time to time in force as set forth in art. 148 of the Consolidated Law on Finance and 144-*quinquies* and following of the CONSOB Issuer Regulations, according to which, candidates must be listed in numerical order and must total no more than the number of members to be elected.

Lists presenting three or more candidates must contain candidates of both genders, so that at least one third (rounded upwards) of the standing auditor candidates and at least one third (rounded upwards) of the alternate auditor candidates belong to the less represented gender on the list.

The right to submit lists is vested only in shareholders who, alone or together with other shareholders, hold shares representing at least 2.5% of the capital or such different percentage of the share capital as established by the law and regulations in force. Each shareholder is entitled to submit or concur in the submission of a single list and each candidate can only be included in a single list, under penalty of ineligibility.

Together with each list, within the terms for submission provided by the law and regulations in force, the following must be filed: declarations by which individual candidates accept their nominations and certify, under their own responsibility, the inexistence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed by the law and By-laws for their respective offices.

Any list that does not satisfy the above requirements will be deemed not submitted.

Each candidate's declaration must be filed along with a curriculum vitae summarising his main personal and professional characteristics and a list of offices as director and auditor held by each candidate in other companies.

The submission, filing and publication of the lists are subject to the provisions of law and regulations from time of time in force. The lists are divided into two sections: one for candidates for the office of standing auditor and the other for candidates for the office of alternate auditor.

Each entitled party may cast its vote for one list only.

The statutory auditors are elected as follows:

- (a) two standing members and one alternate member are taken from the list obtaining the highest number of votes in the shareholders' meeting, based on the numerical order in which they appear on the list;
- (b) the remaining standing member - who will assume the position of Chairman - and the other alternate member are taken from the list that obtains the highest number of votes in the shareholders' meeting and is not connected in any way, directly or indirectly, with those who submitted or voted for the list obtaining the highest number of votes. Both members are selected on the basis on the numerical order in which they appear on the list. In the event that several minority lists have obtained the same number of votes, the eldest candidate shall be elected, both for standing and alternate auditor;
- (c) in the case of the submission of one list only, the Board of Statutory Auditors in its entirety is drawn therefrom, provided that it has obtained a simple majority of votes, subject to compliance with applicable regulations concerning gender balance.

If, by applying the above described procedures, the composition of the standing members of the Board of Statutory Auditors does not comply with applicable pro tempore regulations regarding gender balance, replacements shall be made from among the candidates for standing auditor in the list that has obtained most votes on the basis of the numerical order in which they appear in the list.

In the event that the required legal and statutory eligibility requirements fail to remain in place, the auditor ceases his office by operation of law .

It is understood that Chairman of the Board of Auditors shall a auditor appointed by the minority of shareholders, and that the composition of the Board of Statutory Auditors shall comply with applicable pro tempore regulations regarding gender balance.

When the Shareholders' Meeting is required to appoint standing and/or alternate auditors in order to integrate the Board of Statutory Auditors, the following procedure shall apply:

- if it is necessary to replace auditors elected from the majority list, the appointment shall be made by way of relative majority vote without the need of a list;
- if it is necessary to replace auditors elected from the minority list, the Shareholders' Meeting will replace them by way of relative majority vote, choosing them where possible from among candidates on the same list of the auditor to be replaced, i.e. the minority list that obtained the second highest number of votes.

If the application of these procedures, for whatever reason, does not allow the replacement of the auditors designated by the minority, the Shareholders' Meeting shall proceed by way of relative majority vote, upon submission of candidates by shareholders who, alone or together with others, hold shares with voting rights that account for at least the percentage indicated above in relation to the procedure for submission of lists; however, in determining the results of such vote, no account will be taken of the votes of shareholders who, on the basis of the

communications made pursuant to the applicable laws, hold, even indirectly or jointly with other shareholders party to a shareholders' agreement relevant for the purposes of art. 122 of Legislative Decree 58/1998, a relative majority of votes in the Shareholders' Meeting, as well as of shareholders who control, are controlled by or are under the common control of the same.

The replacement procedure described above must, in any case, ensure compliance with applicable regulations regarding gender balance.

Resigning auditors may be re-elected.

The Bylaws do not provide for the election of more than one minority auditor.



**13 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (EX ART. 123-BIS, PARAGRAPH 2, LETTER D), CONSOLIDATED LAW ON FINANCE)**

In accordance with art. 24 of the Bylaws, the Shareholders' Meeting appoints the Board of Statutory Auditors, consisting of three standing auditors, and determines its remuneration. The Shareholders' Meeting also elects two alternate auditors.

Powers, duties and terms of auditors are as established by law.

The Board of Statutory Auditors in office at the Report Date was appointed by the ordinary Shareholders' Meeting of 15 July 2014.

The Board of Statutory Auditors remains in office until approval of the financial statements for the year ending 31 December 2016.

As of the Report Date, the Board of Statutory Auditors is composed of the following members:

<b>NAME AND SURNAME</b>	<b>OFFICE</b>
Pier Paolo Pascucci	Chairman and Standing Auditor
Ermanno Era	Standing Auditor
Maria Augusta Scagliarini	Standing Auditor
Simona Gnudi	Alternate Auditor
Franco Squizzato	Alternate Auditor

Reference is made to **Table 3** in the appendix for full details on the composition of the Board of Statutory Auditors.

Below is a brief curriculum vitae of the members of the Board of Statutory Auditors, illustrating the expertise and experience gained in the field of business management.

**Pier Paolo Pascucci** - Born in Bologna on 10 October 1938. An economics graduate from the University of Bologna in 1969, he has been a member of the Order of Chartered Accountants in Bologna since 6 April 1977, and of the Register of Certified Auditors since 1995. From 1963 to 1987 he held the position of Managing Director of Iceletto S.p.A. with CEO functions. From 1977 he has been an accountancy professional focusing on consulting services in corporate, contractual and tax matters for medium-sized enterprises; valuation of companies and business units; extraordinary corporate transactions (mergers, acquisitions, contributions). He is a standing auditor and Chairman of the Board of Statutory Auditors of the Issuer and an auditor in other companies.

**Ermanno Era** - Born in Bologna on 11 March 1939. He gained a Diploma in accounting at the "Istituto Tecnico Commerciale Mercantile Guglielmo Marconi" in Bologna in 1959. After two years of professional experience he joined the Chamber of Accountants of Bologna with seniority on 13 March 1962. He is currently a member of the Order of Chartered Accountants in Bologna of Bologna at No. 40/A. He has been on the MEF Roll of Official Auditors since 1971 and the Register of Certified Auditors since 1995. He has continued to work independently in the field of consultancy and assistance for legal, administrative, accounting and tax matters including extraordinary transactions. He has held and still holds institutional posts in his field of specialisation. He is a standing auditor of the Issuer and an auditor in major listed companies.

**Maria Augusta Scagliarini** - Born in San Giovanni in Persiceto (Bologna) on 12 July 1949.

She gained a Diploma in accounting at the “Istituto Tecnico Commerciale Luigi Einaudi Merchant” in San Giovanni in Persiceto (BO). In 1974 she joined the Chamber of Accountants of Bologna. Currently a member of the Order of Chartered Accountants in Bologna of Bologna at No. 180/A, she has been on the MEF Roll of Official Auditors since 1986 and the Register of Certified Auditors since 1995. She has continued to work independently in the field of consultancy and assistance for legal, administrative, accounting and tax matters including extraordinary transactions. She has held and still holds institutional posts in her field of specialisation. She is a standing auditor of the Issuer.

**Simona Gnudi** - Born in Bologna on 26 May 1971. An economics and commerce graduate from the University of Bologna in 1996, she has been a member of the Order of Chartered Accountants in Bologna since 2000 and is on the Register of Certified Auditors at the Ministry of Justice. She is a member of the Oversight Committee of cooperatives, pursuant to Legislative Decree 231/2001. Other activities include speaking at conferences on the non-profit sector, particularly with regard to ecclesiastical bodies, on the issues of budget, tax, IMU and donations. She is a member of the Board of Statutory Auditors, and performs duties as statutory auditor of various companies, cooperatives, consortia, foundations and public bodies in Northern Italy. She is an alternate auditor of the Issuer.

**Franco Squizzato** - Born in Castelfranco Veneto (Treviso) on 21 October 1956. An economics graduate from the University of Venice in 1985, he has been a member of the Order of Chartered Accountants in Treviso since 1988 and is on the Register of Certified Auditors. He has long experience as an auditor, both as Chairman of the Board of Statutory Auditors and as standing auditor at some important industrial and commercial companies in Northern Italy. He also holds several judicial positions, in the Court of Treviso and the Court of Bassano del Grappa, as bankruptcy trustee, official receiver, technical advisor to the judge and expert for the estimation of contributions and assets in kind pursuant to art. 2343 of the Civil Code. He is an alternate auditor of the Issuer.

All members of the Board of Statutory Auditors possess the independence requirements provided for by art. 148, paragraph 3, of the Consolidated Law on Finance and, as stated in their curriculum vitae and additional information provided in this paragraph, the requirements of integrity and professional expertise set out in art. 148 of the Consolidated Law on Finance and the implementing regulation adopted by Decree of the Ministry of justice No. 162/2000.

At its meeting on 30 July 2015, the Board of Statutory Auditors positively verified the independence of its members on the basis of the criteria provided for by art. 3 and art. 8 of the Corporate Governance Code. In view of the admission to trading of the Company's shares, all the auditors have attested, by way of specific statements, statements (i) absence of reasons of ineligibility, disqualification and incompatibility, (ii) possession of all the requirements of integrity, independence and professionalism required by the law and the By-laws for the office of Statutory Auditor of MZBG as a listed company; (iii) that they do not hold offices as director and auditor to an extent equal to or greater than the limits established by the laws in force; and (iv) that they undertake to promptly notify the Company and, for it, the Board of Directors and the other members of the Board of Statutory Auditors of any changes effecting the aforesaid statements and of any supervening disqualifying circumstances.

At its meeting of 3 February 2016, the Board of Statutory Auditors positively verified maintenance of the independence requirements of its members on the basis of the criteria provided for by art. 3 and art. 8 of the Corporate Governance Code.

As regards the remuneration paid in the financial year ended 31 December 2015 to the members of the Board of Statutory Auditors, in any capacity and in any form, reference is made to section 2 of the Remuneration Report published in accordance with art. 123-ter of the Consolidated

Law on Finance, available on the MZBG website at [www.mzb-group.com](http://www.mzb-group.com) in the section “IR/Shareholders”.

After to the Date of Commencement of Trading and during the Financial Year, the Board of Statutory Auditors met on 2 occasions with an average meeting duration of approximately three hours. The actual participation of each Auditor in meetings of the Board of Statutory Auditors is shown in **Table 3** in the Appendix.

During the current financial year it is expected that there will be five meetings of the Board of Statutory Auditors, of which two have already been held.

As regards the initiatives promoted by the Chairman of the Board of Directors aimed at giving Auditors an adequate knowledge of the Issuer’s field of activity, reference is made to paragraph 4.2 above.

As shown in paragraph 10 above, the Board of Statutory Auditors, in the performance of its duties, has coordinated with and still coordinates regularly with the Internal Audit function, the Audit and Risk Committee, the Director in Charge of the Internal Audit and Risk Management System, the manager in charge of the preparation of corporate accounting documents and the external auditors.

For the time being, the Company has not deemed necessary to formalize and create a procedure in relation to the obligation of an Auditor who holds an interest in a particular Company transaction on his own behalf or on behalf of third parties, to promptly and comprehensively inform the other auditors and the Chairman of the Board of Directors as to the nature, terms, origin and scope of his interest; this in consideration of the fact the obligations and safeguards applicable to auditors under current laws and regulations and under the Corporate Governance Code are deemed effective and adequate and in recognition of broad cooperation and dialogue in this regard with the Auditors, who act in transparency and with full disclosure to the Board.

## 14 RELATIONS WITH SHAREHOLDERS

The Company believes it is essential and of a strategic interest and duty to establish and maintain a constant and open dialogue with shareholders, investors, including institutional investors, and more generally with all the involved stakeholders of MZBG and the Group.

To this end, the Board of Directors of the Company, adhering to the recommendations set out in article 11 of the Corporate Governance Code, appointed the official responsible for relations with the shareholders and investors (*Investor Relator*) initially in the person of the General Manager, Pascal Heritier, and by way of resolution adopted on 8 March 2016 in the person of Letizia Chiarucci.

At the Date of the Report, the Company has not deemed it necessary to establish a corporate structure in charge of managing relations with shareholders, having it hired an internal resource dedicated exclusively to such purpose.

A special section of the Company's website [www.mzb-group.com](http://www.mzb-group.com) is dedicated to providing financial and corporate information for investors and called "IR" within which an e-mail address is provided for collecting and responding to requests for information made by shareholders and investors.

Contact details of the responsible of the Investor Relations function are as follows:

Dott.ssa Letizia Chiarucci

Investor Relations Office  
Massimo Zanetti Beverage Group S.p.A.

Viale Gian Giacomo Felissent, 53  
31020 Villorba - Treviso

Tel: +39 0422 312 611  
Fax: +39 0422 312 692

Email: [investors@mzb-group.com](mailto:investors@mzb-group.com)

## **15 SHAREHOLDERS' MEETINGS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2C) OF THE TUF)**

The Shareholders' Meeting of MZBG shall decide on all matters within its jurisdiction by law.

The resolutions, both at ordinary or extraordinary Shareholders' Meetings shall be taken by the majority required by law.

Under article 8 of the By-laws, ordinary and extraordinary Shareholders' Meetings are normally held in the municipality where the Company's registered office is located, unless otherwise resolved by the Board of Directors, and provided that it is in Italy or in a country in which the Company operates, directly or through its affiliates or subsidiaries.

The Ordinary General Shareholders' Meeting must be convened at least once a year to approve the annual financial statements, within one hundred twenty days after the close of the financial year or within one hundred and eighty days, since the Company is required to prepare consolidated annual financial statements or, in any case, when it is required by particular needs concerning the structure and purpose of the Company.

The call of the shareholders' meeting is made within the time prescribed by the applicable laws and regulations in force from time to time by notice published on the Company's website, as well as the manner prescribed by applicable laws and regulations in force from time to time with a notice period of not less than the minimum required by law prior to the date set for the Shareholders' Meeting. Ordinary and extraordinary Shareholders' Meetings are held in a single call, with the majorities established by the law.

Persons entitled to participate and intervene in the Shareholders' Meeting are those who have the right to vote and their representatives in accordance with legal rules and regulations from time to time in force.

Under article 10 of the By-laws, those who are entitled to vote may be represented at the Shareholders' Meeting, in accordance with law, by proxy issued in the manner provided for by the law. The proxy may be notified to the Company by mail or by e-mail transmission in the manner specified in the notice of call.

The Company does not exercise the option provided for by the law to appoint a representative to whom shareholders may confer a proxy with voting instructions on all or some of the proposals on the agenda of the Shareholders' Meeting.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence or impediment, by the Vice Chairman or the Managing Director, if present; in their absence the Shareholders' Meeting elects the Chairman.

Shareholders' Meetings are governed by the specific Shareholders' Meeting Regulations which were approved by the resolution of July 23, 2014 and are effective from the Date of Commencement of Trading.

The Shareholders' Meeting Regulations have been adopted in order to regulate the orderly and efficient conduct of Shareholders' Meetings and to facilitate exercise of shareholders' rights in compliance with the laws that enacted the European Community Directive 2007/36/EC (known as the Shareholders' Rights Directive) and the recommendations found in article 9 of the Corporate Governance Code.

Those who have the right to vote and the common representative of bondholders may ask for the floor on the topics under discussion only once, making comments and asking for

information. Vote right-holders may also make proposals. In order to ensure orderly conduct of the Shareholders' Meeting, the Chairman has the right to determine, at the beginning or during the discussion of individual topics, a term for the submission of requests for intervention.

The Chairman shall lay down the methods of inquiry and conduct of operations and the order of execution of the same. The Chairman, taking note of the object and relevance of individual topics under discussion as well as the number of requests to speak and any questions made by the shareholders ahead of the Shareholders' Meeting which have not already been answered by the Company, predetermines the duration of interventions and replies – normally not more than ten minutes for interventions and five minutes for replies – in order to ensure that the Shareholders' Meeting can conclude its work in a single session.

The Shareholders' Meeting Regulations are available on the Company's website at [www.mzb-group.com](http://www.mzb-group.com) in the section "*IR/Corporate Documents*" to which reference is made for any further details.

After that Date of Commencement of Trading no shareholders meeting have been held. On 10 March 2016, the Board of Directors resolved to call the ordinary shareholders meeting in single call to resolve on the items of the agenda of the notice of call available on the Issuer's website at [www.mzb-group.com](http://www.mzb-group.com) in the section "*IR/Shareholders*".

After the Date of Commencement of Trading no further significant changes in the market capitalization of the Company occurred nor in the composition of its corporate structure.

**16      ADDITIONAL CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2A) OF THE TUF)**

No additional corporate governance practices are applicable.

## **17 CHANGES SINCE THE END OF THE FINANCIAL YEAR**

MZBG is a company with shares listed on the MTA, "STAR" segment since the Date of Commencement of Trading i.e., 3 June 2015.

Since that date MZBG has assumed the status of listed company pursuant to art. 119 of the TUF.

After the Date of Commencement of Trading there have been no changes in the Company's Corporate Governance structure.

\* \* \*

Villorba (TV), 10 marzo 2016

**MASSIMO ZANETTI BEVERAGE GROUP S.P.A.**

For the Board of Directors

The Chairman and Managing Director Massimo Zanetti



**TABLE 1: INFORMATION ON CORPORATE STRUCTURES**

<b>Capital Structure</b>				
	<b>No. of Shares</b>	<b>% of share capital</b>	<b>Listed (indicate markets)/unlisted</b>	<b>Rights and obligations</b>
<b>Ordinary shares</b>	34,300,000	100%	MTA	-
<b>Multiple Voting Shares</b>	-	-	-	-
<b>Shares with limited voting rights</b>	-	-	-	-
<b>Shares without voting rights</b>	-	-	-	-
<b>Other</b>	-	-	-	-

<b>Other Financial Instruments</b>				
	<b>Listed (indicate markets)/unlisted</b>	<b>N° of outstanding instruments</b>	<b>Category of shares for the conversion \ exercise</b>	<b>No. of shares for the conversion \ exercise</b>
<b>Convertible bonds</b>	-	-	-	-
<b>Warrants</b>	-	-	-	-

<b>Significant shareholdings (*)</b>			
<b>Declarant</b>	<b>Direct Shareholder</b>	<b>% of ordinary share capital</b>	<b>% of voting share capital</b>
Invesco LTD	Invesco Asset Management Limited	2.313	2.313
Massimo Zanetti	M.Zanetti Industries S.A.	66.020	66.020

(\*) Investment as per the Consob website

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES**

Office	Members	Birth Year	Date of First Appointment <sup>†*</sup>	In office as of	In office until	List <sup>**</sup>	Executive.	Non-executive	Indep.. (Code)	Indip. (TUF)	N. of other offices <sup>***</sup>	(*)	Audit and Risk Committee		Nominating and Remuneration Committee		RPT Committee	
													(*)	(**)	(*)	(**)	(*)	(*)
<b>Chairman and Managing Director</b> ◊	Zanetti Massimo	1948	1980	15.07.2014	SHM. approv. FS 2016	n/a	X				0	5/5	0/2	n.a	0/1	n.a	0/3	n/a
<b>Director</b>	Zanetti Matteo	1977	2000	15.07.2014	SHM. approv. FS 2016	n/a		X			0	5/5	0/2	n.a	0/1	n.a	0/3	n/a
<b>Director</b>	Zanetti Laura	1974	2000	15.07.2014	SHM. approv. FS 2016	n/a		X			0	4/5	0/2	n.a	0/1	n.a	0/3	n/a
<b>Director</b> •	Mambelli Massimo	1957	16.04.2014	15.07.2014	SHM. approv. FS 2016	n/a	X				0	5/5	1/2	n.a	1/1	n.a	3/3	n/a
<b>Director</b>	Quier Lawrence	1964	15.07.2014	15.07.2014	SHM. approv. FS 2016	n/a	X				0	2/5	0/2	n.a	0/1	n.a	0/3	n/a
<b>Director</b>	Arbona Palmeiro Goncalves Braga Pimenta Maria Pilar	1969	15.07.2014	15.07.2014	SHM. approv. FS 2016	n/a		X			0	5/5	0/2	n.a	0/1	n.a	0/3	n/a
<b>Director</b>	Pinto dos Santo José Fernando	1951	15.07.2014	15.07.2014	SHM. approv. FS 2016	n/a		X	X	X	0	5/5	1/2	M	0/1	M	2/3	M
<b>Director</b> ○	Tentori Roberto	1951	15.07.2014	15.07.2014	SHM. approv. FS 2016	n/a		X	X	X	0	3/5	2/2	P	1/1	M	3/3	P
<b>Director</b>	Tonelli Annapaola	1965	15.07.2014	15.07.2014	SHM. approv. FS 2016	n/a		X	X	X	0	4/5	2/2	M	1/1	P	3/3	M
-----DIRECTORS CEASED DURING THE REFERENCE FINANCIAL YEAR-----																		
<b>Director</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>N. of meetings held during the reference financial year: 5</b>						Audit and Risk Committee: 2			Nominating and Remuneration Committee: 1			RPT Committee: 3						
<b>Quorum required for submission of lists by the minorities for the election of one or more members (ex art. 147-ter TUF): 2.5% of the share capital</b>																		

**NOTES**

The symbols indicated below should be entered in the column "Office":

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

◊ This symbol indicates the main responsible officer for the management of the issuer (Chief Executive Officer or CEO).

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

\* The date of first appointment of each director shall mean the date when the director has been appointed for the first time (in absolute) in the Board of Directors of the issuer.

\*\* In this column it is reported the list from which each director has been elected ("M": Majority list; "m": minority list; "BoD": list presented by the BoD).

\*\*\* In this column it is reported the number of offices as Director or Statutory Auditor of the concerned person in other listed companies in regulated markets, even non-Italian, financial corporations, banks, insurance companies or companies having significant dimensions. In the Report on the corporate governance the offices are reported in full.

(\*) In this column it is reported the attendance of the Directors to the meetings of the BoD and of the committees respectively (i.e. no. of presences / no. of meetings held during the actual term of office of the concerned person; ex. 6/8; 8/8 etc.).

(\*\*). In this column it is reported the role of the Director in the committee: "C": chairman; "M": member.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Board of Statutory Auditors									
Office	Member	Birth Year	Date of first Appointment	In office as of	In office until	List **	Indip. Code	Attendance to the meetings of the Statutory Auditors ***	N. of other offices****
Chairman and Standing Auditor	Pier Paolo Pascucci	1938	06.05.2004	15.07.2014	SHM. approv. FS 2016	n/a	X	5/5	14
Standing Auditor	Ermanno Era	1939	06.05.2004	15.07.2014	SHM. approv. FS 2016	n/a	X	5/5	11
Standing Auditor	Maria Augusta Scagliarini	1949	06.05.2004	15.07.2014	SHM. approv. FS 2016	n/a	X	5/5	5
Alternate Auditor	Simona Gnudi	1971	06.05.2004	15.07.2014	SHM. approv. FS 2016	n/a	X	-	12
Alternate Auditor	Franco Squizzato	1956	15.07.2014	15.07.2014	SHM. approv. FS 2016	n/a	X	-	10
----- AUDITORS CEASED DURING THE REFERENCE FINANCIAL YEAR -----									
	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a
N. of meetings held during the reference financial year: 5									
Quorum required for submission of lists by the minorities for the election of one or more members (ex art. 148 TUF): 2.5% of the share capital									

**NOTES**

\* The date of first appointment of each director shall mean the date when the director has been appointed for the first time (in absolute) in the Board of Statutory Auditors of the issuer.

\*\* In this column it is reported the list from which each auditor has been elected ("M": majority list; "m": minority list).

\*\*\* In this column is reported the percentage of attendance of the statutory auditors to the meetings of the Board of Statutory Auditors (i.e. no. of presences / no. of meetings held during the actual term of office of the concerned person; ex. 6/8; 8/8 etc.).

\*\*\*\* In this column it is reported the number of offices as Director or Statutory Auditor of the concerned person pursuant to article 148-bis of the TUF and the relevant implementation provisions included in the Regolamento Emittenti (Issuers' Regulations) of Consob. The complete list of the offices is published by Consob on its website pursuant to article 144-quinquiesdecies of the Issuers' Regulations