

ANNUAL  
REPORT ON  
CORPORATE  
GOVERNANCE  
AND THE  
OWNERSHIP  
STRUCTURE  
2017

Approved by the Board of Directors  
on 22 March 2018



This document is an English translation of an original Italian text. In the event of discrepancies between the original Italian text and this English translation, the original Italian text shall prevail.

**EI TOWERS S.p.A.**

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Società soggetta all'attività di direzione e coordinamento di Mediaset S.p.A.

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**EI**  **TOWERS**

# TABLE OF CONTENTS ---

|   |           |
|---|-----------|
| Glossary  | 1         |
| <b>01 Issuer profile</b>  | <b>2</b>  |
| <b>1.1</b> Business Activities of the Issuer and Group                                  | 2         |
| <b>1.2</b> Organisation of the Issuer   | 2         |
| <b>1.3</b> The definition of "SME" for the purposes of the provisions of the TUF        | 3         |
| <b>02 Information on the ownership structure</b>  | <b>4</b>  |
| <b>03 Compliance</b>  | <b>7</b>  |
| <b>04 Board of Directors</b>  | <b>8</b>  |
| <b>4.1</b> Appointment and replacement (art. 123-Bis, sub-section 1, letter I), tuf)    | 8         |
| <b>4.2</b> Composition (art. 123-bis, sub-section 2, letters d and d-bis), TUF)         | 10        |
| <b>4.3</b> Role of the Board of Directors (Art. 123-bis, sub-section 2, letter D), Tuf) | 14        |
| <b>4.4</b> Delegated bodies   | 15        |
| <b>4.5</b> Other Executive Directors  | 16        |
| <b>4.6</b> Independent Directors  | 16        |
| <b>4.7</b> Chairman of the Board of Directors   | 16        |
| <b>4.8</b> Board Briefing   | 16        |
| <b>4.9</b> Lead Independent Director  | 17        |
| <b>05 Treatment of Corporate information</b>  | <b>18</b> |
| <b>06 Board Committees</b>  | <b>20</b> |
| <b>07 Appointments Committee</b>  | <b>21</b> |
| <b>08 Remuneration Committee</b>  | <b>22</b> |
| <b>09 Directors' remuneration</b>   | <b>24</b> |
| <b>10 Control and Risks Committee</b>   | <b>25</b> |

|           |   |           |
|-----------|---|-----------|
| <b>11</b> | <b>Internal Control and Risk Management System</b>  | <b>28</b> |
| 11.1      | Director in Charge of the Internal Control and Risk Management System                     | 30        |
| 11.2      | Internal Audit Function Manager   | 31        |
| 11.3      | Organisation Model pursuant to Legislative Decree No. 231/2001                            | 31        |
| 11.4      | Independent Auditors  | 32        |
| 11.5      | Manager in charge of preparing Corporate Accounting documents                             | 33        |
| 11.6      | Coordination among persons involved in the Internal Control and Risk Management System    | 33        |
| <b>12</b> | <b>Directors' interests and Related Party Transactions</b>                                | <b>34</b> |
| <b>13</b> | <b>Appointment of Statutory Auditors</b>  | <b>35</b> |
| <b>14</b> | <b>Composition and operation of the Board of Statutory Auditors</b>                       | <b>36</b> |
| <b>15</b> | <b>Relations with Shareholders</b>  | <b>40</b> |
| <b>16</b> | <b>General Meetings</b>   | <b>41</b> |
| <b>17</b> | <b>Further Corporate Governance practices</b>   | <b>42</b> |
| <b>18</b> | <b>Changes since the closure of the Reference Financial Year</b>                          | <b>43</b> |
| <b>19</b> | <b>Letter Of 13 December 2017 from the Chairman of the Corporate Governance Committee</b> | <b>44</b> |
| <b>20</b> | <b>Tables</b>   | <b>46</b> |
| TABLE 1   | Information on Ownership Structure  | 47        |
| TABLE 2   | structure of the Board of Directors and of the Committees                                 | 48        |
| TABLE 3   | Structure of the Board of Statutory Auditors  | 49        |



# GLOSSARY

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|--|--|
| <b>General Meeting</b>                                       | The general shareholders' meeting of EI Towers S.p.A.  |
| <b>Borsa Italiana</b>  | Borsa Italiana S.p.A., with head office in Milan, piazza Affari no. 6.   |
| <b>Self-Disciplinary Code</b>                                | The Self-Disciplinary Code of listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria.                           |
| <b>Code of Ethics</b>  | The Code of Ethics of EI Towers Group, which constitutes an integral part of the Organisation Model described in detail in paragraph 11.3 of this Report.  |
| <b>Consob</b>  | The National Commission for Companies and the Stock Exchange, with head office in Rome, via G. B. Martini no. 3.   |
| <b>Board of Statutory Auditors</b>                           | The Board of Statutory Auditors of EI Towers S.p.A.  |
| <b>Board of Directors or Board</b>                           | The Board of Directors of EI Towers S.p.A.   |
| <b>EI Towers or Issuer or Company</b>                        | EI Towers S.p.A., with registered office in Lissone, Via Giacomo Zanella no. 21.   |
| <b>Financial Year</b>  | The financial year ended on 31 December 2017.  |
| <b>EI Towers Group or Group</b>                              | The group of companies led by EI Towers S.p.A., which includes the subsidiary companies of same pursuant to article 2359, Italian civil code.  |
| <b>Instructions accompanying the Rules of Borsa Italiana</b> | The Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana S.p.A.  |
| <b>Organisation Model</b>                                    | The organisation model pursuant to Legislative Decree no. 231, 8 June 2001, as amended and supplemented.   |
| <b>MTA</b>   | The Online Stock Market organised and managed by Borsa Italiana.   |
| <b>Supervisory and Control Body or ODVC</b>                  | The Supervisory and Control Body pursuant to Legislative Decree no. 231, 8 June 2001, as amended and supplemented.   |
| <b>Related Party Procedure</b>                               | The Company's related party transaction procedure available for consultation on the <a href="http://www.eitowers.it">www.eitowers.it</a> website, Governance/Related Parties section.                        |
| <b>General Meeting Rules</b>                                 | The Company's rules applicable to General Meetings, last amended on 18 April 2013.   |
| <b>Borsa Italiana Rules</b>                                  | The Rules of Markets organised and managed by Borsa Italiana.  |
| <b>Issuer Regulations</b>                                    | The Regulations applicable to issuers introduced by Consob with resolution no. 11971, 14 May 1999, as amended.   |
| <b>Market Rules</b>  | The Rules applicable to markets introduced by Consob with resolution no. 20249, 28 December 2017.  |
| <b>Related Party Regulations</b>                             | The Regulations applicable to transactions with related parties introduced by Consob with resolution no. 17221, 12 March 2010, as amended.   |
| <b>Report</b>  | This Report on Corporate Governance and the Ownership Structure, prepared pursuant to art. 123-bis, Consolidated Financial Act.  |
| <b>Remuneration Report</b>                                   | The Remuneration Report drawn up pursuant to art. 123-ter, TUF.  |
| <b>Independent Auditors</b>                                  | Deloitte & Touche S.p.A., engaged to perform the statutory auditing of the Issuer's accounts.  |
| <b>Bylaws</b>  | The bylaws of EI Towers S.p.A. in force at the date of this Report and available for consultation on the <a href="http://www.eitowers.it">www.eitowers.it</a> website, Governance/Governance System section. |
| <b>TUF or Consolidated Financial Act</b>                     | Legislative Decree no. 58, 24 February 1998, as amended.   |

## 01

# ISSUER PROFILE

## 1.1 BUSINESS ACTIVITIES OF THE ISSUER AND GROUP

EI Towers S.p.A. operates in the network infrastructure and integrated electronic communication services sector for operators in the radio and television sector (broadcasters) and in the mobile telephony (GSM/UMTS/LTE operators) and wireless (WiFi/iMax operators) telecommunications sector, as well as for public utility operators and the Institutions. The Issuer also operates in the Internet of Things segment.

Specifically, **EI Towers S.p.A.**, a company listed on the Italian stock market (Borsa Italiana) in the STAR segment, manages the infrastructure/station assets, distributed across Italy, used primarily by broadcast operators. The services offered by the Company range from the hosting at stations of transmission equipment and signal broadcast antenna, to all complementary activities (performed directly or through partner companies), including the installation, testing and maintenance (both routine maintenance and repair work) of the equipment hosted. The Company favours a market approach addressed to providing comprehensive turnkey management of clients' networks, including planning, design, realisation and management activities.

**TowerTel S.p.A.**, a wholly-owned direct subsidiary company of EI Towers, holds the infrastructure/stations asset for mobile telephone operators and WiFi and WiMax operators. The company undertakes management, acquisition and implementation activities for telecommunications network plant and infrastructure in general.

**EIT Radio S.r.l.**, a wholly-owned direct subsidiary of EI Towers, is a provider of hospitality and ancillary services for radio operators. On 15 December 2017, it acquired the entire quota capital of Multireti S.r.l., which is currently in the process of being amalgamated<sup>1</sup>.

**NETTROTTER S.r.l.**, of which 95% is controlled directly by the Issuer, has a mission to develop a network devoted entirely to the Internet of Things (IoT) in partnership with SIGFOX S.A., a world-leading company in the so-called "Low Power Wide Area" segment, and to the sale of connection services on a subscription basis.

<sup>1</sup> In 2017, FP Tower S.r.l., mentioned in the previous Report, was merged by incorporation into the direct controlling company TowerTel S.p.A..

## 1.2 ORGANISATION OF THE ISSUER

The organisation of the Issuer is based on the traditional model and has the structure described below.

- **General Shareholders' Meeting:** resolves in ordinary and extraordinary session on the matters for which it holds responsibility pursuant to the law or the Bylaws. For more information, see Paragraph 16 below of this Report.
- **Board of Directors:** vested with the broadest possible powers for the ordinary and extraordinary administration of the Company, with the authority to per-

form all the actions deemed appropriate in the pursuit of the corporate mission, with the exclusion of those actions which are the responsibility of the General Meeting pursuant to the law or the Bylaws. For more information, see Section 4, Paragraph 4.3 below of this Report.

- **Board of Statutory Auditors:** vested with the powers provided by the law and the Bylaws, also in its capacity as internal control and statutory audit committee. For more information, see Section 14 below of this Report.



- **Statutory Audit Company:** the statutory auditing of the accounts is performed by a specialised Company entered in the register of statutory audit companies and appointed specifically by the General Meeting based on the reasoned proposal submitted by the Board of Statutory Auditors. For more information, see

Section 11, Paragraph 11.4 below of this Report.

The information contained in this Report, unless otherwise indicated, is correct at the date of approval by the Board of Directors (i.e. on 22 March 2018).

## 1.3 THE DEFINITION OF “SME” FOR THE PURPOSES OF THE PROVISIONS OF THE TUF

At the date of this Report, the Company qualifies as an “SME” pursuant to article 1, sub-section 1, letter w-quarter 1), TUF<sup>2</sup>.

<sup>2</sup> Pursuant to article 1, sub-section 1, letter w-quarter 1), TUF, “SMEs” are defined as: “without prejudice to other provisions of the law, small and medium enterprises which issue listed shares and which have a turnover of up to Euro 300 million or a market capitalisation of less than Euro 500 million. The issuers of listed shares which have exceeded both the aforementioned limits for three consecutive financial or calendar years are not considered to be SMEs. Consob issues regulations to define the implementation provisions for this letter, including the methods of disclosure such issuers are required to use with regard to their gaining or losing SME status. Based on the information provided by issuers, Consob publishes the list of SMEs on its website.” On 23 January 2018, Consob closed the consultation opened on 24 November 2017 regarding proposed amendments to the Issuers’ Rules concerning “Provisions implementing the definition of “SME” issuers of listed shares and amendments to the regulations applicable to issuers of financial instruments placed with the public in significant amounts”. Such amendments have not yet come into force as of the date of this Report.

## 02

# INFORMATION ON THE OWNERSHIP STRUCTURE

(PURSUANT TO ART. 123-BIS, SUB-SECTION 1, TUF)  
AS OF 22 MARCH 2018

## A) STRUCTURE OF THE SHARE CAPITAL (ART. 123-BIS, SUB-SECTION 1, LETTER A), TUF)

The subscribed and paid in share capital of the Company stands at Euro 2,826,237.70, divided into 28,262,377 ordinary shares of par value 10 eurocents each, each of which grants the right to a vote at the general meeting, with the exception of treasury shares (see letter m. below in this Paragraph). Pursuant to the law, voting rights are suspended for treasury shares held by the Company.

The Company has not issued other categories of shares or financial instruments which can be converted into or exchanged with shares. The structure of the share capital is set out in Table 1 at the end of this Report.

At the present time there are no share-based incentive plans involving increases of the share capital, including free increases.

## B) RESTRICTIONS ON THE TRANSFER OF SECURITIES (ART. 123-BIS, SUB-SECTION 1, LETTER B), TUF)

There are no restrictions on the transfer of EI Towers securities.

## C) SIGNIFICANT STAKES IN THE SHARE CAPITAL (ART. 123-BIS, SUB-SECTION 1, LETTER C), TUF)

In consideration of the fact that the Issuer is an "SME" pursuant to article 1, sub-section 1, letter w-quarter 1), TUF, the

percentage applicable for the purposes of disclosure obligations pursuant to article 120, sub-section 2, TUF, is 5%. Significant holdings of EI Towers S.p.A. share capital, based on disclosures received pursuant to article 120 TUF, are set out in **Table 1** at the end of this Report.

Such holdings may be consulted on the Company's website ([www.eitowers.it/Investors/Shareholders](http://www.eitowers.it/Investors/Shareholders)) and on Consob's website ([www.consob.it](http://www.consob.it)).

## D) SECURITIES WHICH GRANT SPECIAL RIGHTS (ART. 123-BIS, SUB-SECTION 1, LETTER D), TUF)

The Company has not issued securities which grant special controlling rights.

The Company Bylaws do not envisage the issue of shares with special voting rights.

## E) EMPLOYEE SHAREHOLDINGS: MECHANISM FOR EXERCISING VOTING RIGHTS (ART. 123-BIS, SUB-SECTION 1, LETTER E), TUF)

The Company does not have an employee shareholding system with a mechanism for exercising voting rights that is different from the one provided for all the Company's other shareholders.

## **F) RESTRICTIONS OF VOTING RIGHTS (ART. 123-BIS, SUB-SECTION 1, LETTER F), TUF)**

The voting rights of treasury shares held by the Company are suspended pursuant to art. 2357-ter, Italian civil code.

## **G) SHAREHOLDERS' AGREEMENTS (ART. 123-BIS, SUB-SECTION 1, LETTER G), TUF)**

The Company is not aware of any shareholders' agreements pursuant to art. 122, TUF.

## **H) CHANGE OF CONTROL CLAUSES (ART. 123-BIS, SUB-SECTION 1, LETTER H), TUF) AND STATUTORY PROVISIONS ON THE SUBJECT OF TAKEOVER BIDS (ART. 104, SUB-SECTION 1-TER AND 104-BIS, SUB-SECTION 1, TUF)**

Following disclosure to the market earlier in the year, the Company on 30 October 2017 entered an unsecured loan contract for a maximum of €270,000,000 with a pool of banks formed by Intesa Sanpaolo S.p.A., Unicredit S.p.A., Banca Popolare di Milano S.p.A. and Mediobanca S.p.A. As is standard, the loan contract has a clause providing for change of control, upon the occurrence of which the lender banks may each request extinction of their commitment and repayment of sums disbursed and any other amounts due under the contract.

On 20 December 2017, the Company made a full advance repayment of the bond issue of April 2013 designated "€230,000,000 3.875 per cent. Notes due 26 April 2018".

Pursuant to art. 15, paragraph H) of the Bylaws, the Board of Directors and any delegated bodies have the power, without the need for authorisation by the general meeting, to perform acts or operations to prevent the objectives of a takeover bid from being achieved, from the time of notification of same pursuant to article 102, sub-section 1 Consolidated Financial Act, until the conclusion of the bid or until the offering expires, and to implement decisions taken before the start of the aforementioned period which have not yet been implemented entirely or in part, which do not form part of the Company's normal activities, and the implementation of which may prevent the objectives of the takeover bid from being achieved.

## **I) DIRECTORS' INDEMNITY IN THE EVENT OF RESIGNATION OR THE TERMINATION OR CEASING OF THE RELATIONSHIP WITHOUT DUE CAUSE OR FOLLOWING A TAKEOVER BID (ART. 123-BIS, SUB-SECTION 1, LETTER I), TUF)**

There are no ex ante agreements in being between the Company and the directors pursuant to art. 123-bis, sub-section 1, letter i), TUF.

As disclosed to the market, the Board of Directors on 14 December 2017 approved a settlement agreement with Mr

Valter Gottardi, a CEO of the Company with key executive responsibilities, to consensually terminate his employment relationship as of 30 April 2018. Further details of said agreement and in general of conditions provided for by EI Towers in the event of relinquishment of office and/or termination of employment relationship may be found in the Remuneration Report on the Company's website [www.eitowers.it](http://www.eitowers.it) - Governance/Remuneration section.

## **L) APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BYLAWS (ART. 123-BIS, SUB-SECTION 1, LETTER L), TUF)**

The appointment and replacement of directors is regulated by art. 13 of the Bylaws. For further information on this matter, see Section 4, Paragraph 4.1 below in this Report regarding the Board of Directors.

Pursuant to the Bylaws (art. 15, paragraph A), the Board of Directors may resolve to establish or abolish secondary head offices, reduce the share capital in the event of the withdrawal of a shareholder, amend the bylaws in line with legal provisions, transfer the head office of the company within Italy, and make the resolutions pursuant to article 2505 and 2505-bis, Italian civil code, also as referred to in relation to demerger by article 2506-ter, Italian civil code, within the limits of the law.

The Bylaws are available for consultation on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Governance System section.

## **M) DELEGATION OF POWERS TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO BUY TREASURY SHARES (ART. 123-BIS, SUB-SECTION 1, LETTER M), TUF)**

No proxies exist to increase the share capital pursuant to art. 2443, Italian civil code, or to issue equity instruments.

The General Meeting of 20 April 2017 authorised the purchase of ordinary shares in the Company, conferring such powers on the Board of Directors and for it the CEOs, severally, in one or more transactions, up to the maximum number permitted by the law, taking account of the treasury shares held directly and those held by subsidiary companies.

The purchases may be made, pursuant to art. 2357, first sub-section, Italian civil code, within the limits of profit available for distribution and available reserves as indicated in the most recently approved financial statements, with the consequent establishment, pursuant to art. 2357-ter, third sub-section, Italian civil code, of a restricted reserve equal to the amount of the treasury shares purchased from time to time, which must be retained until the shares have been transferred.

Authorisation to purchase shares was agreed as of the date of the aforementioned General Meeting, until the approval of the financial statements at 31 December 2017.

For information on the manner and terms of purchase of treasury shares, please see the minutes of the General Meeting of 20 April 2017, which are available for consultation on the [www.eitowers.it](http://www.eitowers.it) website, Governance/General Shareholders' Meeting section.

On 4 May 2016, as disclosed to the market, in implementation of and within the limits established by the resolution of the General Meeting on 20 April 2017 and following the plan launched in July 2016, the Board of Directors resolved to renew the programme to buy back a maximum number of 641,535 shares, representing 2.27% of the share capital, for the purpose of setting up a so-called "securities store" enabling the Company to hold shares for use in extraordinary operations.

At 31 December 2017, the Company held 1,364,540 treasury shares, equal to 4.83% of the share capital, of which no. 6,000 treasury shares on loan to Mediobanca Banca di Credito Finanziario S.p.A. to perform the Specialist activities pursuant to article 2.2.3, sub-section 4, Borsa Italiana Rules, and the accompanying Instructions. There are no changes to be reported as of 22 March 2018.

#### **N) DIRECTION AND COORDINATION ACTIVITIES (ART. 2497 AND FOLLOWING, ITALIAN CIVIL CODE)**

As of 2 January 2012, the Company is subject to the direction and coordination activities of Mediaset S.p.A..

The Company, pursuant to art. 18, sub-section 1, Market Rules, informed Consob and the public of its full compliance with the provisions of art. 16 of such Market Rules, as demonstrated by the certificate pursuant to art. 2.6.2, sub-section 9, Borsa Italiana Rules, of the existence of the conditions required by the aforementioned art. 16, Market Rules, contained in the Management Report in the Financial Statements.

The Company currently exercises direction and coordination activities over its subsidiary companies TowerTel S.p.A., NETTROTTER S.r.l., EIT Radio S.r.l. and Multireti S.r.l., the latter of which acquired on 15 December 2017.

# 03

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## COMPLIANCE

(ART. 123-BIS, SUB-SECTION 2, LETTER A), TUF)

Since its listing in 2004, EI Towers (formerly DMT S.p.A.) has adopted the Self-Disciplinary Code of listed companies, which is available for public consultation on the Borsa Italiana website (<http://www.borsaitaliana.it/corporate-governance-committee/code/code.htm>), introducing the principles established by same and aligning its corporate governance system with Italian and international best practices.

The Corporate Governance System of EI Towers, as described in this Report, is aligned with the principles expressed by the most recent revision of the Self-Disciplinary Code (July 2015).

As usual, this Report has been drawn up in consideration, among other things, of the "Corporate Governance and Ownership Structure Report Template" (edition VII - January 2018), drafted by Borsa Italiana.

The Issuer and its subsidiary companies are not subject to non-Italian legal provisions which influence the Issuer's corporate governance structure.

## 04

# BOARD OF DIRECTORS

## 4.1 APPOINTMENT AND REPLACEMENT (ART. 123-BIS, SUB-SECTION 1, LETTER L), TUF)

### *Appointment of Directors*

The appointment and replacement of directors is regulated by article 13 of the Bylaws.

Specifically, the directors are appointed by the shareholders' meeting on the basis of lists, in which each candidate is indicated by a progressive number, presented by shareholders, who represent, alone or together with other shareholders, at least **2.5%** of the shares with voting rights at the ordinary shareholders' meetings or who represent a lower percentage that may be established by mandatory provisions of laws or regulations. The percentage equity stake established to present lists is communicated from time to time in the notice of convocation of the general meeting called to resolve upon the appointment of the Board of Directors. You are advised that at the time of the next General Meeting to appoint the Board of Directors of the Company on 23 April 2018, the shareholding established by Consob (resolution no. 20273/2018) pursuant to art.144-quater of the Issuer Regulations, stands at **1%**<sup>3</sup>.

The Bylaws do not make provision for the faculty pursuant to art. 147-ter, sub-section 1, TUF.

The procedure for the election of the directors is as follows:

1. directors representing the number of members of the board of directors less one shall be taken from the list which has received the majority of the votes expressed by the shareholders, in the progressive order with which the candidates were listed on the list;

2. the last director shall be taken from the second list which is not related in any manner, including indirectly, with the list referenced in the preceding letter i) or with the shareholders who presented or voted the list referenced in the preceding letter i), and which obtained the second highest number of votes expressed by the shareholders.

Should the candidates elected with the procedure indicated above not result in the appointment of a number of directors in possession of the independence requirements established by the law and regulations equal to the minimum number established by the law and regulations in relation to the total number of the directors, the last non-independent candidate elected listed on the list which received the highest number of votes, referenced in letter i) of the preceding Paragraph, will be substituted by the first independent candidate not elected according to the progressive order of such list, or, in absence thereof, by the first independent candidate not elected according to the progressive order of the other lists, according to the number of votes obtained by each list. Such substitution procedure shall continue until the board of directors has a number of members in possession of the independence requirements established by the law and regulations equal to the minimum set by the law and regulations.

If at the end of voting the Board does not have the minimum number of directors of the least represented gender as established by the law, the last candidate of the most represented gender elected on the list which received the majority of votes will be replaced by the first candidate in the same list of the least represented gender not elected pursuant to the previous paragraphs; if the minimum number of directors of the least represented gender is not achieved in this way, the aforementioned replacement procedure is also applied to

<sup>3</sup> The shareholding on the occasion of the General Meeting's appointment of the Company's current Board of Directors on 21 April 2015, as established by Consob with resolution no. 19109/2015, stood at 1%.

minority list candidates (on the condition that the lists contain at least three candidates).

Finally, should the aforementioned procedures not ensure the appointment of a number of directors in possession of independence requirements and/or of the minimum number of directors of the least represented gender, as established by the law and regulations, the substitution shall occur with a resolution passed by the relative majority at the shareholders' meeting, subject to the presentation of candidates in possession of the necessary requirements.

Should only a single list be presented, all the directors to be elected shall be taken from this list in progressive order, until the number fixed by the shareholders' meeting has been achieved, without prejudice to compliance with the requirements established by the law and regulations and by the bylaws on the subject of the composition of the board of directors and, specifically, gender balance.

Should no list be presented, the shareholders' meeting shall deliberate with the majorities provided by the law, without observing the procedure provided above, in such a way as to ensure compliance in any case with the requirements established by the law and regulations and by the bylaws on the subject of the composition of the board of directors and, specifically, gender balance.

Notwithstanding the foregoing, any different or other provisions provided by mandatory laws or regulations shall prevail.

Specifically, because the Company is subject to the direction and coordination activities of Mediaset S.p.A., the provisions of art. 16 of the Market Rules are applicable to the composition of the Board of Directors. Therefore, the Board of the Company is composed of a majority of independent directors, while the Committees within the Board (Control and Risks Committee and Remuneration Committee) are composed entirely of independent directors.

As an issuer in the STAR segment, the provisions of art. 2.2.3, sub-section 3, letter m) of the Borsa Italiana Rules are applicable to the Company, entailing the application, so far as concerns the composition of the Board, as well as the role and functions of the non-executive and independent directors, of the application principles and criteria provided by articles 2 and 3 of the Self-Disciplinary Code.

As set out in **Table 2** at the end of this Report, 6 directors (Alberto Giussani – Chairman – Paola Casali, Manlio Cruciatti, Rosa Maria Lo Verso, Michele Pirotta and Francesco Sironi) out of a total 9 members of the Board, are in possession of the independence requirements established by the TUF, by the aforementioned art. 16 of the Market Rules and by the Self-Disciplinary Code.

The composition of the Board of Directors also complies with the measures prescribed by the Competition and Markets Authority on the subject of directors' independence (provision no. 23117, 14 December 2011, with which the Authority authorised merger of DMT S.p.A. and EI Towers S.p.A. on 2 January 2012).

For further details regarding directors' independence, see Section 4, Paragraph 4.6 of this Report.

The statutory provisions, introduced by resolution of the General Meeting on 18 April 2013, with the aim of guaranteeing compliance with current legislation on the subject of gender balance, were applied for the first time during the appointment of the Board of Directors resolved by the General Meeting on 21 April 2015<sup>4</sup>.

#### *Replacement of Directors*

Art. 13 of the Bylaws makes provision that should one or more directors appointed on the basis of the list vote no longer serve in office during the year, such director(s) shall be replaced with persons listed on the same list as the director(s) to be replaced, or should there be no more candidates not elected from such list or no candidates with the necessary requirements, the board of directors shall arrange for the replacement pursuant to Article 2386 of the Italian civil code, just as the shareholders' meeting shall arrange thereafter for the substitution with the majorities provided by law, without any list vote. In any event, the board and the shareholders' meeting shall proceed with the appointment in such a manner as to ensure compliance in any case with the requirements established by the law and regulations and by the bylaws on the subject of the composition of the board of directors and, specifically, gender balance.

#### *Succession plans*

In consideration of the company structure, the mechanisms for appointing and replacing directors and delegations of power, the Board of Directors, in the meeting of 22 April 2015, also pursuant to article 5.C.2 of the Self-Disciplinary Code, has decided not to introduce succession plans for executive directors.

<sup>4</sup> At the next General Meeting, convening on 23 April 2018, the lists for the appointment of the Board of Directors must have at least one third of the candidates belonging to the less represented gender, as indicated in the Notice of Meeting published on the website [www.eitowers.it](http://www.eitowers.it), Governance/General Meeting.

## 4.2 COMPOSITION

### (ART. 123-BIS, SUB-SECTION 2, LETTERS D AND D-BIS), TUF)

Pursuant to art. 13 of the Bylaws, the Company is administered by a Board of Directors consisting of a minimum of 5 and a maximum of 21 members, who remain in office for a period, as determined by the shareholders' meeting, of no more than 3 years and may be re-elected.

In detail, the current Board of directors, appointed by the General Meeting on 21 April 2015 and in office until the General Meeting called on 23 April 2018 to approve the financial statements on 31 December 2017, consists of nine members of whom eight - Alberto Giussani, appointed chairman (independent director), Guido Barbieri (executive director), Valter Gottardi (executive director), Piercarlo Invernizzi (executive director), Manlio Cruciatti (independent director), Michele Pirotta (independent director), Paola Casali (independent director) and Rosa Maria Lo Verso (independent director) - were taken from the list presented by the majority shareholder Elettronica Industriale S.p.A., representing **40.001%** of the share capital (**List no. 2**), and one - Francesco Sironi (independent director) - taken from the minority list that received the second highest number of votes, presented by shareholders representing a total stake of **3.77%** of the share capital of the Company (**List no. 1**).

Below are the candidates in each list presented and the relative percentage of votes obtained in relation to the voting capital (22,341,439 shares equal to 79.05% of the share capital):

- candidates on **List No. 1**: Francesco Sironi and Massimo Belcredi. The list obtained no. 10,422,336 votes equal to 46.65% of the voting capital;
- candidates on **List No. 2**: Alberto Giussani, Guido Barbieri, Valter Gottardi, Piercarlo Invernizzi, Manlio Cruciatti, Michele Pirotta, Paola Casali, Rosa Maria Lo Verso, Alessandro Serio and Francesca Broussard. The list obtained no. 11,305,120 votes equal to 50.60% of the voting capital.

On 22 April 2015, the Board of Directors met and confirmed the appointment as CEOs of Guido Barbieri (CEO Corporate and Management) and Valter Gottardi (CEO Business) (for more information see Section 4.4 in this Report).

The composition of the Board of Directors is set out in **Table 2** at the end of this Report.

Information regarding the personal and professional characteristics of the members of the Board of Directors of the Company is provided below.

**Alberto Giussani:** born in Varese on 23 August 1946, in 1972 he graduated from Cattolica University, Milan, with a degree in Economics. He is entered in the register of Independent Auditors and, since 1979, in the register of Professional Accountants. He joined PricewaterhouseCoopers in 1973, became a partner in 1981 and resigned on 30 June 2007. During his career as an auditor, he has managed audits

of major Italian companies, including multinationals, listed in Italy and on the US stock market. In charge of the Professional Accounting Practices and International Accounting courses at Cattolica University in Milan, since 1981 he has been a member of the Accounting Standards Commission of the Italian Accounting Profession and at present is Vice Chairman of the Technical and Scientific Committee of the Italian Accounting Entity. He was a member of the Standard Advisory Council of the International Accounting Standards Committee from 2001 to 2008 and is at present a member of the IASB Accounting Standard Forum. He is a former Chairman of Assirevi (the Association of Italian Auditors) in the three-year period 2004-2006, a Director from 1980 to October 2006, a member of the working group responsible for the first revision of the Self-Disciplinary Code of listed companies and a member of the Audit Board of Borsa Italiana before its privatisation. He has held various offices, including Board Director of Credito Artigiano S.p.A., Chairman of the Board of Statutory Auditors of Mediaset S.p.A. and Chairman of the Board of Statutory Auditors of Vittoria Assicurazioni S.p.A.; at the date of this Report, he is a Board Director of Fastweb S.p.A., a member of the Board of Statutory Auditors of Falck Renewables S.p.A., Luxottica Group S.p.A. and Carlo Tassara, Chairman of the Audit Board of Biblioteca Ambrosiana and a member of the Board of Statutory Auditors of Caritas Ambrosiana, as well as a board director of Istituto Diocesano per il Sostentamento del Clero. At the present time, as an Independent Director, he is Chairman of the Board of Directors, Chairman of the Remuneration Committee and a member of the Company's Control and Risks Committee.

**Guido Barbieri:** born in Milan on 12 June 1966, in July 1990 he graduated with honours in Economics from Luigi Bocconi University, Milan, where he subsequently collaborated on a research project about media groups in Europe. He began his professional career in 1991 in Fininvest S.p.A., as planning analyst in the Group Planning and Control Management Office, before going on to be appointed Consolidated Budget and Reporting Manager of the Television Division. In 1995, he moved to Mediaset S.p.A. as Group Consolidated Financial Statements and Budget and Reporting Manager. In 1997, he was also put in charge of the M&A function. In 2000, he was appointed Vice General Manager of Mediatrade S.p.A. (the group company operating in the purchase and sale of rights on international markets and the production of fiction content), becoming General Manager in February 2002 and chairman of the Board of Directors in July the same year. From January 2003 to June 2011, he was General Manager of the Rights Area of RTI and in September 2007 was also put in charge of the Sports Rights area. In the second half of 2011, he was Project Manager for the EI Towers - DMT S.p.A. Merger. At the present time he is in charge of the Management Division of EI Towers and his sole appointment is as CEO of the Company.

**Valter Gottardi:** born in Arcore on 29 November 1955, in academic 1973-1974 he gained a diploma as Electronics Technician from Vimercate Istituto Tecnico Industriale



Statale. He began his professional career at Telettra Vimercate (now Alcatel), where he worked from 1975 to 1980 as customer assistance manager for the PCM digital multiplex line of products. From 1980 to 2011, he was employed by Elettronica Industriale S.p.A., in positions of increasing responsibility, from Production Manager, to Technical Manager and General Manager. From 2001 to 2011, he was also a member of the Board of Directors. At the present time he is in charge of the Business Division of EI Towers and his only appointment is as CEO of the Company.

**Paola Casali:** born in Milan on 19 October 1967, she graduated with honours in Law from Milan University. She was registered with the Milan bar association from 1996 to 1999. She registered as a Notary Public in Milan in 1999 and is a former lecturer at the Lombardy Notary Public School. After working in well-known law firms in Milan specialising in commercial and company law, since 1999 she has been a practicing notary public. From 1994 to 1998, she was a member of the Committee for Legal Cooperation at the Council of Europe. She is the author of numerous articles in specialist journals. At the present time she is an Independent Director and a member of the Company's Remuneration Committee.

**Manlio Cruciatti:** born in Trieste on 6 November 1949, in academic 1967-1968 he gained a diploma as an Industrial Technician from Istituto Tecnico Industriale A. Volta (Trieste). He began his professional career with a two-year stint at the Italian national research council (CNR) at Trieste University. Then, from 1970 to 1979, he worked at RAI Radiotelevisione Italiana and from 1980 to 2008 in Mediaset Group (Telemilano, Videotime, RTI). Since 2008 (the year of his retirement), he has undertaken various professional assignments in the world of film (ANICA, Universal Multimedia Access, Artech) and television, also at international level (RTI, Rede Globo – Brazil, Albertis Telecom – Spain). He is also a former Chairman of the Association of Audiovisual Technical Industries and a member of the DVB (Digital Video Broadcasting) Steering Committee. He provided consulting services through the company MC – Consulting S.a.s. At the present time he is an Independent Director and a member of the Company's Control and Risks Committee.

**Piercarlo Invernizzi:** born in Monza on 28 June 1965, he graduated from Politecnico di Milano with a degree in Electronic Engineering. In 1992, he began to work at Elettronica Industriale (Mediaset Group), first in the pay-TV area at Telettra and then on the development of control systems in television transmitters and on the automation of commercials advertising on Mediaset channels. In 2000, after completing a master's course in "Business Innovation and Management" at the Politecnico di Milano School of Management (MIP), he moved to RTI as the Assembly and Broadcast Office Manager, where he coordinated the technology and organisation innovation process through to full channel automation and digitalisation and the launch of Mediaset's pay-TV platform. In 2005, he returned to Elettronica Industriale as coordinator of the DVB-H project and in 2006 was appointed Technical Manager. At the present time he is the Technical Director at EI Towers and an Executive Director of the Company.

**Rosa Maria Lo Verso:** born in Milan on 3 September 1965,

in 1984 she gained a diploma in Accounting and Commerce from Istituto Tecnico Commerciale Leonardo da Vinci in Cologno Monzese. She is entered in the register of Independent Auditors and, since 1987, in the Monza and Brianza Association of Professional Accountants. She is Chair of the Local Entities and Tax System Commission (Monza and Brianza Association of Professional Accountants and Accounting Experts) and a member of the Organising Committee of the training school for professional accountants and accounting experts. She is a practicing accountant and has acted and continues to act as an auditor and a member of the board of statutory auditors and the supervisory body of various corporations (including a member of the supervisory body of Promoservice Italia S.r.l. and Digitalia 08 S.r.l. in Mediaset group). At the present time she is an Independent Director of the Company.

**Michele Pirotta:** born in Milan on 11 May 1964, in 1990 he graduated from Luigi Bocconi University, Milan, with a degree in economics. He is entered in the register of Auditors and, since 1991, in the Milan Association of Professional Accountants. He is a former Director and Treasurer of the Milan Association of Professional Accountants (from 2008 to 2016) and a Director and Treasurer of the Milan Association of Professional Accountants and Expert Accountants (from 2008 to 2016). He is also a former member of the Management Committee of Professional Associations and the Professional Accountant Foundation in Milan. A practicing accountant, he is the owner of a firm of associated professionals operating in the field of corporate, commercial and tax consulting; he is a Board Director of the Professional Accountant Pension Fund (CNPADC) and co-ordinates said Fund's Financial Statement and Budget Committee. He is a member of the control body of various corporations (including a supervisory board member of E.ON group companies, BAYER, EPH, A2A and Deutsche Bank). At the present time he is an Independent Director and Chairman of the Company's Control and Risks Committee.

**Francesco Sironi:** born in Rovereto on 13 May 1969, in 1992 he graduated with honours in Business Economics from Luigi Bocconi University in Milan. He began his professional career with a three-year stint in the Investment Banking and Corporate Finance divisions of Morgan Stanley; since 1995 he has worked in BS Private Equity, initially as Investment Manager, before becoming a partner in 1999 and Managing Partner in 2003. From 2015 to 2016, he has also been Head of Business Development at Idea Capital Funds SGR, a De Agostini group company. In 2016, he was appointed Senior Advisor to RealStep, a property development company that focuses on industrial redevelopment projects, where he was made chairman in 2017. He is also chairman of RealStep SICAF, a real estate investment company regulated by Banca d'Italia. He is the owner and sole director of the company FSH S.r.l.; he has acted and continues to act as a member of the board of directors of various corporations, including a directorship in listed company (from September 2016 to January 2017) Alerion Clean Power S.p.A.. At the present time he is an Independent Director and a member of the Company's Remuneration Committee.

For more information about the personal and professional characteristics of the members of the Board of Directors of

the Company, please consult the information available on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Corporate Bodies/Board of Directors section.

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## DIVERSITY POLICIES

Following the annual self-assessment, the Board decided that its current composition was adequately diverse in terms of age, gender and educational and professional background and therefore in line with the provisions of law and the Self-Disciplinary Code.

On 22 February 2018, the Board of Directors, in view of its renewal and on the basis of the outcome of the Board Performance Evaluation (see section 4.3 below), approved the following policy position on the size, composition and diversity of the Board of Directors, confident that the diversity represented by the Board will favour better definition and pursuit of the Group's strategic objectives in facing future challenges:

- confirmation of nine directors;
- confirmation of a majority of independent directors in line with the provisions of current law and the Self-Disciplinary Code and those of Antitrust Authority Resolution 23117, 14 December 2011;
- at least one third of the directors represented by gender quotas;
- balanced mix of seniority and age brackets balancing the needs of management continuity and renewal;
- managerial, professional and/or academic/institutional profiles and skills useful for the carrying forward of EI Towers Group's business; certain directors also have internal control system experience;
- the numbers and types of engagements/offices held by candidates in other companies are compatible with effective and diligent performance of their role as directors of EI Towers, also in view of the commitment required by their respective professional activities;
- confirmation of the office of chairman held by an independent director who also has an adequate level of expertise in corporate governance and whose skills and experience are a guarantee for all the shareholders.

Given that the provisions of Legislative Decree 254/2016 (non-financial disclosures and information on diversity by large enterprises and groups) only came into force in 2017, the Board decided to defer to the new Board of Directors the adoption of a diversity policy for the management board and supervisory and control body (the latter appointed in April 2017) that takes into account the process initiated by the outgoing Board with the aforesaid policy position issued pursuant to art. 123-bis, clause 2, lett. d-bis), TUF.

## MAXIMUM NUMBER OF OFFICES HELD IN OTHER COMPANIES

On 17 May 2016, the Board of Directors, also pursuant to article 5.C.1, letter a), Self-Disciplinary Code, confirmed its position on the maximum number of offices held in other companies (in companies listed on regulated markets, including foreign markets, in financial, banking and insurance companies, or in large companies). On the basis of this position:

an **executive director** should not hold:

- the office of executive director in another listed Italian or foreign company, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn) and
- the office of non-executive director or statutory auditor - or member of another control body - in more than five listed Italian or foreign companies, in financial, banking or insurance companies or in large companies (net equity greater than Euro 10bn);

a **non-executive director** should not hold:

- the office of executive director in more than three listed Italian or foreign companies, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn) and the office of non-executive director or statutory auditor - or member of another control body - in more than five listed Italian or foreign companies, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn) or
- the office of non-executive director or statutory auditor - or member of another control body - in more than ten listed Italian or foreign companies, in financial, banking or insurance companies, or in large companies (net equity greater than Euro 10bn).

These limits do not include the offices held in the Issuer and in EI Towers Group companies.

In the event that these limits are exceeded, the director promptly informs the Board of Directors, which assesses the situation in light of the Company's interests and invites the director in question to act accordingly.

The Board of Directors takes note annually, based on the information received from each director, of the offices of director and/or statutory auditor they hold in other companies.

The current composition of the Board is in compliance with the aforementioned criteria.

Below are the offices held by the members of the Board of Directors of the Issuer in other companies:

**Alberto Giussani:** member of the Board of Statutory Auditors of Falck Renewables S.p.A., member of the Board of Statutory Auditors of Luxottica Group S.p.A. and a director of Fastweb S.p.A.

**Guido Barbieri:** -

**Paola Casali:** -

**Manlio Cruciatti:** -

**Valter Gottardi:** -

**Piercarlo Invernizzi:** -

**Rosa Maria Lo Verso:** -

**Michele Pirotta:** statutory auditor for Finanza & Futuro Banca S.p.A.

**Francesco Sironi:** CEO of BS Private Equity, Director of Sesantotto S.r.l., Sole Director of FSH S.r.l., Chairman of RealStep S.r.l. and RealStep SICAF S.p.A.

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## INDUCTION PROGRAMME

During the Financial Year, the directors of the Company took part in initiatives designed to give them a better understanding of the Company's business, of the sector in which the Company operates, of good risk management principles and of the legislative and regulatory framework.

Specifically, the directors took part on 2 May 2017 in an initiative (in Lissone) to brief the Company's newly appointed statutory auditors on the organization, the markets and relevant legislation under which EI Towers Group operates, the main network services offered by the Company, the relative management process and the organizational structure.

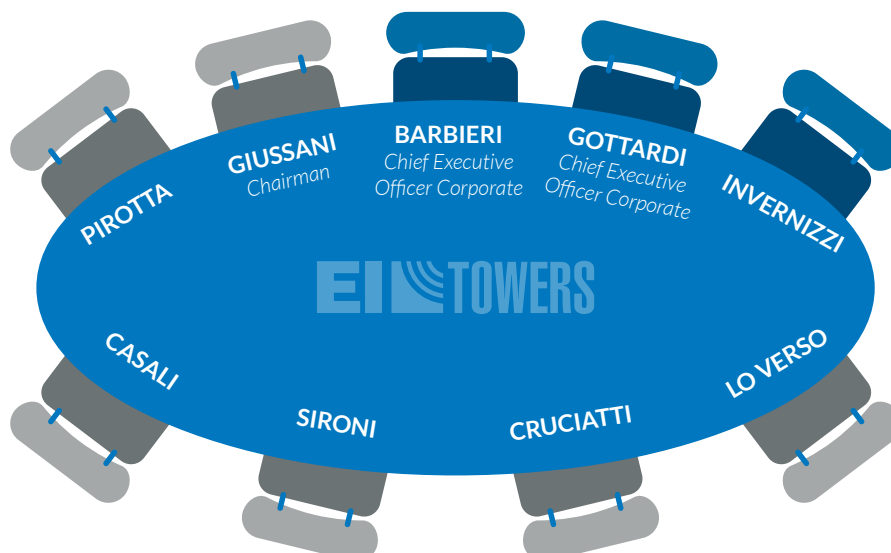
On 5 December 2017 there was another induction activity at Company head office, this one devoted to corporate social responsibility and reporting non-financial information, with a focus on analysis and preparatory work on EI Towers Group's first Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016 (material themes, reporting process and standards).

Lastly, on 22 February 2018, following up previous initiatives, the directors and statutory auditors had detailed discussions with representatives of the subsidiary NET-TROTTER S.r.l. on the development of the Internet of Things market and of the Company's business, with a sharp focus on technological solutions, network development and the commercial offering.

All the above initiatives were organised by the Corporate Affairs Office, as tasked by the Chairman, with the involvement not only of the company officers indicated, but also of the competent corporate management figures (Division Managers and/or Function Managers), who provided support in the form of specially prepared presentations.

During the Financial Year the Corporate Affairs Office also kept the Boards of Directors and Statutory Auditors informed and updated on the main new legislation and regulations - already introduced or soon to be applied - affecting corporations (i.e. market abuse legislation, non-financial information and diversity policies, criteria for calculations and requisites for SME qualification, legal auditing).

- Independent Director
- Executive Director



## 4.3 ROLE OF THE BOARD OF DIRECTORS (ART. 123-BIS, — SUB-SECTION 2, LETTER D), TUF)

The Board of Directors plays a central role in the corporate organisation structure, in the structure of the EI Towers Group and the governance system. It defines the Group's strategic plans and periodically monitors their progress and implementation.

The Board meets regularly, in compliance with current legislation and a calendar of work, and organises itself and acts in such a way as to ensure that it performs its functions effectively and efficiently.

The Board is vested with the powers provided by the law and the Bylaws (art. 15). It is in particular vested, within the limits of the company purpose, with all powers of ordinary and extraordinary administration. The Bylaws also establish that the Board of Directors is competent to resolve on the matters indicated in Section 2, Paragraph 2, letter l) above in the Report.

During the Financial Year, the Board met a total of 9 times, with overall attendance by directors standing at **96.3%**. The attendance details for each director are set out in **Table 2** at the end of the Report. The average length of the meetings was around one hour forty-five minutes.

As disclosed to the market in the financial calendar, four meetings have been planned in financial 2018 for the examination of the Financial Reports. As at the date of this Report, two meetings have been held.

The Chairman provides pre-board meeting information with the support of the Board Secretary. In the days prior to the meetings, usually two days previously, which is a term deemed to be appropriate by the Board, the directors and statutory auditors are provided with a confidential preview of the documentation regarding the agenda. The aforementioned term of notice is usually respected, unless in cases in which there are matters on the agenda involving information that requires even greater confidentiality or the Board is asked to come to a resolution in a timely manner. In these cases, mainly in relation to the examination of extraordinary or particularly important operations, the term of notice is reduced to the day immediately prior to or on the same day as the Board meeting. During Board meetings, the Chairman ensures that enough time is devoted to the examination and discussion of each item of business, encouraging the participation of the directors and contributions from the Committees with regard to certain Board decisions. The CEOs, also with the support of the managers of the corporate functions involved, where deemed useful or necessary, constantly ensure that the Board receives comprehensive information regarding the items discussed and business operations in general.

Usually, the board meetings called for the periodic examination of the Company's Financial Reports are attended by the CFO and the Manager charged with preparing the company's accounting documents (see Section 11, Paragraph 11.5 in the Report). During the Financial Year, Board of Directors'

meetings have been attended with regard to individual items of business on the agenda or specific aspects, by other company managers, including the Central Management, Development and Communication Manager of EI Towers Group.

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As required by article 1.C.1, letter a) of the Self-Disciplinary Code, the Board of Directors examines and approves the strategic, business and financial plans of the Company and the EI Towers Group it heads, the system of corporate governance of the Company and the EI Towers Group structure. You are reminded that on 29 September 2014 the Board approved the Business Plan of EI Towers Group for 2014-2018. With the frequency established by the Bylaws (art. 15) and specifically at the time of the examination and approval of the periodical Financial Statements, the Board, based on reports and information received from the Managing Directors, assesses the general management trend and monitors the implementation of the Business Plan approved, comparing the results reported with those planned and announcing any new quantitative objectives.

As required by article 1.C.1, letter c) of the Self-Disciplinary Code, during the year the Board of Directors assessed the adequacy of the organisational, administrative and accounting arrangements of the Company and its subsidiary companies of strategic importance, also with reference to the internal control and risk management system. The assessments were supported by special reports prepared by the bodies delegated to do so, describing the various operating and control structures. You are advised that at the meeting held on 22 April 2015, the Board of Directors confirmed that Tower-Tel S.p.A. is a subsidiary company "of strategic importance".<sup>5</sup>

The Board examines and approves, on a prior basis, transactions of significant strategic, economic, equity or financial importance performed by the Company and its subsidiary companies, in accordance with the Guidelines on the "transactions of significant importance" of the Company, as brought up-to-date by the Board in the meeting on 24 June 2015. The criteria for identifying such transactions refer, in terms of type and/or limits of amount, both to extraordinary operations and ordinary business.

Lastly, on 22 March 2018, the Board of Directors approved the Consolidated Non-financial Statement as of 31 December 2017 drawn up by the Company pursuant to new Community law enforced in Italy by Legislative Decree 254/2016<sup>6</sup>.

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On 14 December 2017, the Board of Directors conducted

<sup>5</sup> Taking account of the equity interests of EI Towers Group and on the basis of the significance criteria pursuant to article 151, Issuer Regulations.

<sup>6</sup> EI Towers Group's Consolidated Non-financial Statement can be consulted on the website [www.eitowers.it](http://www.eitowers.it), Governance/Sustainability section.

the annual Board Performance Evaluation, after assigning to the Chairman, an independent director, the task of defining the process and establishing the subjects to discuss. In compliance with the provisions of the Self-Disciplinary Code and in consideration of the guidelines issued by the Corporate Governance Committee, the Board focused the annual self-assessment and relative discussion on its operation over the 3-year term<sup>7</sup>, and issued and subsequently approved (on 22 February 2018) its policy position on the size, composition and diversity of the Board, also for the purposes of articles 1.C.1 letter H) and 5.C.1 letter A) of the Self-Disciplinary Code.

Specifically, before the meeting, with the support of the Corporate Affairs Office, the Chairman sent the Directors a report on certain issues (including exercise of strategic functions, induction activities, the adequacy of the internal control and risk management system, governance and transactions with related parties) that were discussed at the aforementioned board meeting, in which the statutory auditors also took part.

The results of the self-assessment process confirm general approval of and satisfaction with the operation of the Board and the Committees. The meeting emphasised how the Board of Directors had been thorough in providing strategic guidance and monitoring of management performance and again noted the importance of the contributions and support provided by the managing directors and the management in terms of reports on the subjects on the agenda of the meetings (analytics on flows and presentations given at board

meetings) and in initiatives during their term of office, which it is hoped will be followed up in the coming years. In-depth coverage of and regular updates on major legal developments were also seen to be effective and adequate. As in previous self-assessments, the procedures implemented by the Company for operations with related parties and the internal control and risk management system were judged adequate and effective. Lastly, the current governance structure was deemed consistent and effective with respect to the provisions of the Self-disciplinary Code and their application to the Company's particular business. The Committees effectively supported the Board in the making of their decisions. Regarding pre-board meeting information, it was noted that thoroughly prepared documentation was provided in good time.

Taken as a whole, the Board has worked with the common intent of achieving the goals set, showing efficiency and effectiveness in the work performed and the ability to take collegiate decisions in the interests of all Shareholders.

Lastly, the Board confirmed the adequacy of the current size of the Board and the number of its Committees and expressed its hope that the Shareholders, at the upcoming appointment of a new Board, will maintain a similar qualitative level in terms of skills, professionalism and experience.

For further information on the Board of Directors' diversity position and policy, see section 4.2 above.

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The General Meeting has not authorised any exceptions to the prohibition of competition established by art. 2390, Italian civil code.

<sup>7</sup> The current Board of Directors completes its term of office at the next General Meeting (23 April 2018) to approve the financial statements at 31 December 2017.

## 4.4 DELEGATED BODIES

### CEOs

Taking account of the Company's organisational structure, in its meeting on 22 April 2015, the Board of Directors confirmed the appointment of Directors Guido Barbieri and Valter Gottardi as CEOs of the Company.

**CEO** Guido Barbieri, in charge of the Corporate and Management Division of the Company, was confirmed as having the same duties and responsibilities in this area, with powers of ordinary administration up to the maximum amount of Euro 2,500,000.00 per individual operation. Pursuant to the Bylaws, CEO Guido Barbieri represents the Company within the limits of the powers conferred upon him.

**CEO** Valter Gottardi, in charge of the Business Division of the Company, was confirmed as having the same duties and responsibilities in this area, with powers of ordinary administration up to the maximum amount of Euro 2,500,000.00 per individual operation and with powers of extraordinary administration up to the maximum amount of Euro 500,000.00. Pursuant to the Bylaws, CEO Valter Gottardi represents the

Company within the limits of the powers conferred upon him.

The situation of interlocking directorate envisaged by the Self-Disciplinary Code does not apply to the CEOs because they do not hold directorships at other issuers.

On 14 December 2017, the Company announced to the market that it had reached an agreement to consensually terminate the employment relationship with Mr Valter Gottardi, as of 30 April 2018. The term of office of the CEO will expire, together with that of the entire Board of Directors, with the General Meeting called to approve the financial statements at 31 December 2017.

## 4.5 OTHER EXECUTIVE DIRECTORS

In addition to the CEOs, director Piercarlo Invernizzi (the EI Towers S.p.A. Technical Office manager) is an executive director on the Board.

## 4.6 INDEPENDENT DIRECTORS

You are reminded that the provisions of art. 16 of the Market Rules (old art. 37) on the subject of the composition of the Board of Directors are applicable to the Company, which is subject to the direction and coordination of Mediaset S.p.A.. The Board is therefore composed of a majority of independent directors, and likewise the Committees (Control and Risks Committee and Remuneration Committee) are composed entirely of independent directors. The composition of the Board is also in compliance with the provisions of art. 2.2.3, sub-section 3, letter m) of the Borsa Italiana Rules, with reference to STAR issuers.

Pursuant to the Self-Disciplinary Code and current regulations, on 4 May 2017, on the basis of information and statements provided by interested parties and available to the company, the Board assessed the continuing independence requirements of its non-executive directors Alberto Giussani – Chairman – Paola Casali, Manlio Cruciatti, Rosa Maria Lo Verso, Michele Pirota and Francesco Sironi.

As also set out in **Table 2** at the end of the Report, all the aforementioned directors are in possession of the independence requirements pursuant to art. 148, sub-section 3, TUF, to the Self-Disciplinary Code and to art. 16 of the Market Rules.

The Board performed its assessments taking account more of the substance than the form, applying the criteria set out in the Self-Disciplinary Code.

Each independent Director has also confirmed their under-

taking to inform the Board of Directors promptly of situations in which their independence requirements no longer exist.

The independence of the directors was assessed by the Board at the aforementioned meeting, also in relation to compliance with the measures prescribed by the Competition and Markets Authority on the subject of the directors' independence (provision no. 23117, 14 December 2011, with which the Authority authorised the merger between DMT S.p.A. and EI Towers S.p.A. on 2 January 2012). The verification, performed on the basis of the statements provided by each director and on information available to the Company, confirmed compliance with the aforementioned measures.

The Board of Statutory Auditors verified the correct application of the evaluation criteria and procedures introduced by the Board of Directors to assess the independence of its directors and was in agreement with the relative outcomes, also in relation to the requirements of the Anti-Trust Authority.

On 2 November 2017, the Independent Directors were convened to meet without the other Directors. In view of the Board's annual self-assessment and the end of its term of office, the meeting focused mainly on an initial account of its operation and on certain business matters (the refarming of the 700 Mhz band in favour of mobile phone operators and the evolution of the business of subsidiary NETTROTTER S.r.l., the object of subsequent induction).

## 4.7 CHAIRMAN OF THE BOARD OF DIRECTORS

The General Meeting of 21 April 2015 confirmed the appointment of Mr Alberto Giussani, non-executive independent director, as Chairman of the Board of Directors, who represents the Company pursuant to the Bylaws.

You are reminded that the majority of the members of the current Board of Directors are independent directors, in-

cluding the Chairman. No management powers were therefore conferred upon him.

The Chairman convenes and directs the board meetings, coordinating the activities of the Board with the support of the Head of Corporate Affairs Office and the Board Secretary.

## 4.8 BOARD BRIEFING

Also pursuant to the Bylaws (art. 15), the CEOs, each in their own sphere of responsibility, provide wide-ranging, comprehensive information during all board meetings about all the items on the agenda and on the activities performed in exer-

cising the powers conferred upon them.

At least quarterly, and specifically at the time of the examination of the periodic Financial Reports, the CEOs report to

the Board of Directors and the Board of Statutory Auditors on the general management trend and its foreseeable evolution, as well as on the most significant operations performed by the Company and its subsidiaries.

Finally, in compliance with the provisions of the bylaws, the civil code and the Related Party Procedure, the delegated

bodies, during the first useful meeting, provide a wide-ranging information briefing on transactions with the company that performs direction and coordination activities with regard to the Company, describing the main terms and conditions and the relative reasons, also in relation to the interests underlying the performance of same.

## 4.9 LEAD INDEPENDENT DIRECTOR

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In light of the previous paragraphs, the conditions set out by art. 2.C.3, Self-Disciplinary Code, for the appointment of a Lead Independent Director do not exist.

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The Board of directors has not set up an Executive Committee.

## 05

# TREATMENT OF CORPORATE INFORMATION

## INSIDER INFORMATION

On 23 July 2017, as proposed by the CEO responsible for the Corporate and Management Division (hereafter the “CEO Corporate and Management”) and with the approval of the Internal Control and Risks Committee, the Board of Directors adopted the new EI Towers S.p.A. “Procedure for the Management and Disclosure of Insider Information” (hereafter the “Insider Information Procedure” or “II Procedure”), subsequently updated on 14 December 2017.

Specifically, the Insider Information Procedure has been introduced pursuant to EU Regulation 596/2014 and the relative community integration and enactment regulations (hereafter “Market Abuse Legislation”) for the purposes of complying with legal and regulatory provisions, also at European level, on the subject of the abuse of insider information. The Board of Directors had previously approved, on 26 July 2016, the measures introduced by the Company to align the Group’s control procedures with Market Abuse Legislation.

The Insider Information Procedure regulates (i) the internal management and disclosure to the public of insider information regarding EI Towers and its subsidiary companies, for the purposes of guaranteeing the confidentiality of the insider information and the correct disclosure of such information to the outside world, and (ii) the establishment and updating of the register of persons with access to insider information (the so-called “Insider Register”).

The Insider Information Procedure is applied to the members of the corporate bodies and the employees of the Company and its subsidiary companies, as well as to external persons who act in the name and on behalf of the Company and its subsidiary companies and who for any reason have access to information regarding EI Towers and its subsidiary companies (hereafter “Insider Subjects”).

Without affecting the further controls regarding the processing and disclosure of the Insider Information established

by the II Procedure, the Insider Subjects must keep confidential all the information with which they come into contact in the course of their business activities or while exercising their functions or assignments and treat such information with the necessary caution, so that unauthorised persons may not become aware of such information. Disclosures to the authorities and the public are performed within the terms and in the manner established by current regulations, in compliance with the principle of information parity and the provisions of the Insider Information Procedure.

The corporate functions responsible for the Insider Information Procedure are the CEO Corporate and Management, who is also responsible for assessing whether or not information regarding EI Towers and/or its subsidiary companies is insider information and the assessment and monitoring of the conditions that allow the Company to delay the disclosure of insider information (unless such activities are the responsibility of the Board of Directors), the Corporate Affairs Office, which is responsible in particular for the keeping and the management of the Insider Register, and the Central Management, Development and Communication office, which among other things is responsible for managing relations with the financial community and preparing the content of insider information disclosures to the public (Investor Relations).

The Insider Register contains details of persons with whom a relationship of professional collaboration has been established, be it in the form of a contract of employment or other, and who, when performing certain tasks, have access to insider information in the framework of the relationship existing between the person and EI Towers and/or its subsidiary companies.

The Company’s competent corporate functions have made provision for the diffusion of the Insider Information Procedure among the human resources of the Issuer and its subsidiary companies.



The CEO Corporate and Management, as charged by the Board of Directors, constantly monitors the application and revision of the procedure in order to ensure that it is effective.

## INTERNAL DEALING

On 23 February 2017, the Board of Directors, with the approval of the Internal Control and Risks Committee, adopted the new EI Towers S.p.A. “Internal Dealing Procedure” (hereafter the “ID Procedure”).

Specifically, the ID Procedure was adopted pursuant to MAR legislation and has the aim of regulating, with binding effect, the performance of transactions, also through intermediaries, by Significant Persons and by Persons Closely Associated with them, as defined in the aforementioned legislation, or in other words the obligations, the terms and the methods of publishing the transactions performed by same involving the financial instruments of EI Towers. The Board of Directors had previously, on 26 July 2016, approved the measures introduced by the Company to align the Group’s control procedures with Market Abuse Legislation.

The corporate functions in charge of the ID Procedure are the CEO Corporate and Management, who is responsible for identifying the Managers of the Company and/or its subsidiary companies with strategic responsibilities and the Corporate Affairs Office, which is in charge in particular of the disclosures envisaged by current legislation concerning the operations performed by significant persons and by persons closely associated with them and received by same and on the basis of information.

Significant Persons are prohibited from performing Transactions in the 30-day period prior to the announcement of the draft annual financial statements, the half-year financial report and the three-monthly financial bulletins published by EI Towers (“Black-Out Periods”). The Black-Out Periods come to an end after the publication of the press release regarding the approval of the financial information.

The competent corporate functions of the Company have made provision for the diffusion of the Internal Dealing Procedure among the human resources of the Issuer and its subsidiary companies.

The CEO Corporate and Management, as charged by the Board of Directors, makes provision for the constant monitoring of the application and revision of the procedure in order to ensure that it is effective.

In compliance with Consob recommendations, the Company has made provision to create a special “Internal Dealing” section on its website ([www.eitowers.it](http://www.eitowers.it), Governance/Internal Dealing section).

# 06

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## BOARD COMMITTEES

(ART. 123-BIS, SUB-SECTION 2, LETTER D), TUF)

Pursuant to the Bylaws (art. 15), the Board of Directors may set up one or more committees and/or commissions, purely for the purposes of consulting and/or making proposals, also in order to align the corporate governance system with the model stipulated by the Self-Disciplinary Code. The Board of Directors determines the number of members of each committee and/or commission and the duties attributed to same.

You are reminded that on 22 April 2015, the Board confirmed the establishment of the Control and Risks Committee and the Remuneration Committee (hereinafter the "Committees"), consisting entirely of independent directors. The establishment and operation of the Committees comply with the criteria set out in the Self-Disciplinary Code.

The Committees have adopted their own operating rules and annual calendar of meetings, and report periodically to the Board on the activities performed. In compliance with the provisions of the Self-Disciplinary Code, the Chairmen of the Committees, during the first Board Meeting possible, report on the meetings held.

The Control and Risks Committee has also been confirmed by the Board of Directors as the competent committee with regard to the related party Procedure and transactions. With the coming into force of Legislative Decree 254/2016, the Board has since assigned to the Control and Risks Committee the task of supporting it in assessments and decisions relative to approval of the Non-financial Statement.

The Company, and the Board of Directors on its behalf, carefully monitors sustainability issues connected with business activities, also with a view to introducing changes in its corporate governance policy.

07

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## APPOINTMENTS COMMITTEE

As the Board of Directors has not deemed necessary to establish an Appointments Committee, because the Board of Directors is composed of a majority of independent directors, and in consideration of the fact that the list voting mechanism established by art. 13 of the Bylaws (see Section 4, Paragraph 4.1 above in this Report) ensures that the appointment procedure is transparent and that the composition of the Board is balanced, also in the event of the replacement of directors. On 22 April 2015 the Board of Directors, confirmed that the relative functions are performed by the entire Board of Directors and coordinated by the Chairman. As reported in Section 4 above, the Board stated its case with regard to the failure to introduce Succession Plans and confirmed its position on the maximum number of appointments its directors may hold, also pursuant to art. 5.C of the Self-Disciplinary Code, and, lastly, on the size, composition and diversity of the Board itself.

## 08

# REMUNERATION COMMITTEE

In compliance with the provisions of art. 16 of the Market Rules and the Self-Disciplinary Code, the Remuneration Committee is composed entirely of independent, non-executive Directors.

Specifically, on 22 April 2015, the Board of Directors appointed as members of the Committee Directors Alberto Giussani, whose appointment as Chairman was confirmed, Paola Casali and Francesco Sironi (elected by the General Meeting from the minority lists), who will remain in office until the natural expiry of the entire Board of Directors.

The Remuneration Committee has adopted its own operating rules (last updated on 22 February 2016), which are aligned with the criteria set out by the Self-Disciplinary Code and with the resolutions of the Board of Directors, according to which the work of the Committee is coordinated by the Chairman. Also pursuant to such rules, no director attends the meetings of the Committee in which the Board of Directors' proposals are formulated in relation to their own remuneration.

During the year, the Remuneration Committee met five times, with overall attendance by directors standing at 100%. The attendance details for each director are set out in Table 2 at the end of this Report. The average length of each meeting was about forty minutes. Five meetings have been planned for financial 2018, of which two have taken place as of the date of this Report.

The meetings of the Committee, of which minutes have been duly taken, were usually attended by the Board of Statutory Auditors (the Chairman and/or the Standing Auditors). The meetings were also attended by the Corporate Affairs Manager, who has been appointed Committee Secretary. At the invitation of the Committee and in relation to individual items on the agenda, meetings were also attended by persons who are not board members and specifically, depending on their respective expertise, the heads of specific corporate functions in the Company (the CFO and the head of Human Resources, Organisation and Services), in addition to, where deemed appropriate, external consultants.

The members of the Committee receive an attendance fee for attending each meeting in the amount determined by the General Shareholders' Meeting of 21 April 2015.

## FUNCTIONS OF THE REMUNERATION COMMITTEE

In its meeting of 22 April 2015, the Board of Directors assigned the competences provided by the Self-Disciplinary Code to the Remuneration Committee. These duties may be supplemented or modified by resolution of the Board of Directors.

In 2017, the Committee performed the following activities in its sphere of responsibility:

- it approved and submitted to the Board of Directors the proposed Medium-Long Term Monetary Incentive System for EI Towers S.p.A. in the period 2017-2019;
- it formulated a proposed Remuneration Policy for directors and managers with strategic responsibilities, which was submitted to the Board of Directors for examination on 23 March 2017, and expressed its favourable opinion with regard to the second section of the 2017 Remuneration Report illustrating remuneration in previous years;
- it verified the achievement of the performance objectives established by the Board of Directors for the CEOs in their capacity as Company directors with strategic responsibilities for the purposes of EI Towers' Monetary Incentive Systems for 2014-2016 and 2016-2018<sup>8</sup>;
- it approved and submitted to the Board of Directors the proposed Regulations for the 2017-2019 Monetary Incentive System and expressed its favourable opinion with regard to the variable portion of the remuneration

<sup>8</sup> Further information and details on the Company's Monetary Incentive Plans can be found in the 2018 Remuneration Report published on the website [www.eitowers.it](http://www.eitowers.it), Governance/Remuneration section.

proposed for the CEOs, as managers with strategic responsibilities, as well as on the quantitative performance objectives to be achieved by each of them, regarding it as consistent with the Remuneration Policy defined for the Financial Year;

- it examined and expressed a favourable opinion on the congruity and adequacy of the remuneration provided for Mr Valter Gottardi, CEO and executive with strategic responsibilities, under the settlement agreement entered with the Company to consensually terminate the employment relationship<sup>9</sup>; to this end it had examined the findings of a market analysis of “severance payments” made by Georgeson S.r.l., an independent, external consultancy retained by the Company;
- it conducted the first assessments of the consistency and practical application of the 2017 Remuneration Policy, regarding it as satisfactory;

Work continued during the first months of 2018 and, specifically, two meetings were held during which the Remuneration Committee:

- approved and submitted to the Board of Directors the proposed EI Towers Medium-Long Term Monetary Incentive System for the three-year period 2018-2020;
- confirmed its positive assessment of the overall consistency and practical application of the 2017 Remuneration Policy;
- having examined an analysis of best practices in the sec-

tor commissioned by the Company from the aforementioned Georgeson S.r.l. and the shareholders’ voting policies, it formulated a Remuneration Policy proposal for directors and managers with strategic responsibilities, which was submitted to the Board of Directors for examination on 22 March 2018, and expressed its favourable opinion on the second section of the 2018 Remuneration Report describing remuneration the previous financial year.

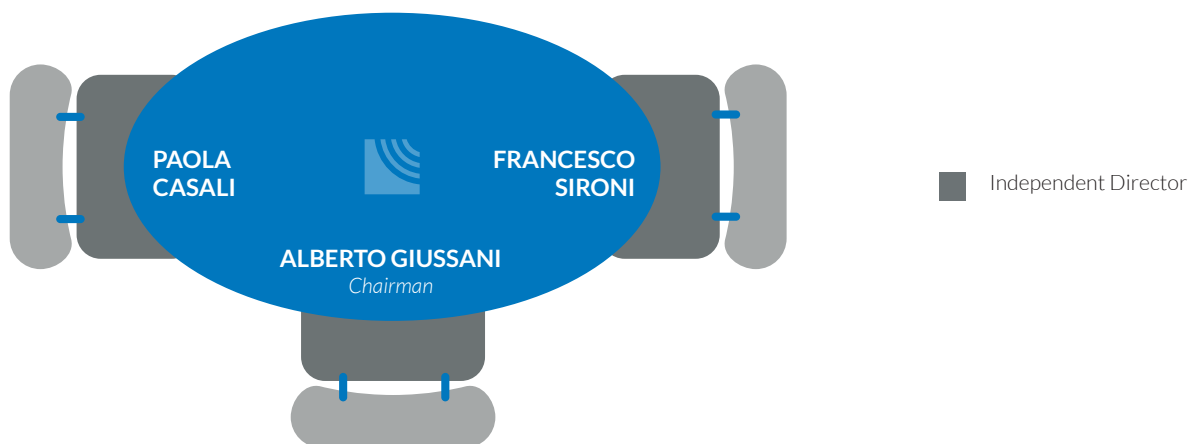
On 22 April 2015, the Board of Directors assigned the Remuneration Committee financial resources amounting to one hundred thousand euros annually to perform its functions, also by calling in external consultants where deemed necessary and/or appropriate.

During its meetings, as resolved by the Board of Directors, the Committee had access to the corporate information and functions needed to perform the aforementioned duties. The Committee was supported by external consultants as indicated above.

In compliance with the provisions of the Self-Disciplinary Code, the Chairman of the Committee, at the first possible meeting of the Board of Directors, reports on the meetings held by the Committee.

<sup>9</sup> Further information on the settlement agreement and remuneration provided for can be found in the 2018 Remuneration Report published on the website [www.eitowers.it](http://www.eitowers.it), Governance/Remuneration section.

## REMUNERATION COMMITTEE



## 09

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# DIRECTORS' REMUNERATION

On 23 March 2017, the Board of Directors, as proposed by the Remuneration Committee, defined the Policy on the remuneration of directors and managers with strategic responsibilities approved by the General Shareholders' Meeting on 20 April 2017.

For full information and details regarding the directors and managers with strategic responsibilities' compensation, please see the Remuneration Report for the Financial Year published on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Remuneration section.

At the next annual General Meeting scheduled on 23 April 2018, the Board will submit the Remuneration Report, approved on 22 March 2018, to it illustrating the Remuneration Policy for directors and managers with strategic responsibility drawn up by same (also available on the Company's website [www.eitowers.it](http://www.eitowers.it), Governance/Remuneration section).

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## 10

# CONTROL AND RISKS COMMITTEE

In compliance with the provisions of art. 16 of the Market Rules and of the Self-Disciplinary Code, the Control and Risks Committee is composed entirely of independent non-executive directors.

On 22 April 2015, the Board of Directors confirmed the appointment of Directors Michele Pirota, Chairman, Alberto Giussani and Manlio Cruciatti as members of the Committee, who will remain in office until the expiry of the entire Board of Directors.

The Control and Risks Committee has adopted its own operating rules (last revised on 22 February 2016), which are aligned with the criteria established by the Self-Disciplinary Code and the resolutions of the Board of Directors, according to which the work of the Committee is coordinated by the Chairman.

During the year, the Control and Risks Committee met ten times, with overall attendance by directors standing at 100%. The attendance details for each director are set out in Table 2 at the end of this Report. The average length of the meetings was about one hour forty-five minutes. Ten meetings have been planned for financial 2018, of which three have taken place as of the date of this Report.

The meetings of the Committee, the minutes of which have been duly recorded, were attended by the Board of Statutory Auditors (the Chairman and/or the Standing Auditors). The meetings were also attended by the Corporate Affairs Manager, who has been appointed Committee Secretary. At the invitation of the Committee and in relation to individual items on the agenda, meetings were also attended by persons who are not board members and specifically the Internal Audit function manager, the Director in Charge, the Manager in charge, the Supervisory and Control Body, representatives of the independent auditors, the managers of specific corporate functions of the Company (inter alia the CFO, the head of Legal Affairs, the Sales and Broadcast Services manager, the head of Human Resources and the head of the Purchasing Office), and external consultants where

deemed appropriate.

The members of the Committee receive an attendance fee for each meeting attended. The amount of this fee was determined by the General Shareholders' Meeting of 21 April 2015.

## FUNCTIONS OF THE CONTROL AND RISKS COMMITTEE

On 22 April 2015, the Board of Directors assigned the responsibilities established by the Self-Disciplinary Code to the Control and Risks Committee. These duties may be supplemented or modified by resolution of the Board of Directors.

The Committee has been confirmed by the Board of Directors, in application of the Company's Related Party Procedure, as the committee with competence for the EI Towers Group's related parties Procedure and relative transactions. On 25 July 2017, the Board also assigned to the Control and Risks Committee the task of supporting it in assessments and decisions relative to approval of EI Towers Group's Non-financial Statement drawn up pursuant to legislative Decree 254/2016.

In 2017, the Committee performed the following activities, among others, in its sphere of competence:

- it assessed, on a joint basis with the Manager in charge of preparing corporate accounting documents and having heard the independent auditors Deloitte & Touche S.p.A. and the Board of Statutory Auditors, the main accounting standards applied to the Company and their consistency for the purposes of drawing up the 2016 consolidated financial statements, holding them to be correctly applied;
- it examined the results presented by independent auditors Deloitte & Touche S.p.A. in the report on fundamental issues to emerge during statutory auditing of the

accounts (2016 financial statements) and expressed a favourable opinion to the Board of Directors with regard to the assessment;

- it took note of the activities performed by the Manager in Charge pursuant to Law 262/2005 for the purposes of issuing the certificates regarding the financial statements and the consolidated financial statements at 31 December 2016 and the half-year report in abbreviated form at 30 June 2017;
- it expressed its favourable opinion on the proposal of the Director in Charge to assign the engagement to provide professional support services for the Internal Audit function manager in financial 2017 to the company Protiviti S.r.l.;
- it examined and expressed its favourable opinion to the Board of Directors regarding the 2017 Audit Plan and the resources assigned to the Internal Audit function manager;
- it examined the periodical Reports by the Internal Audit function on the assessment of the internal control and risk management system of the Company and took note of the relative conclusions. The Committee also took note of the results of the operating assurance work performed during the Financial Year and the periodical updates on the state of implementation of the 2017 Audit Plan, monitoring the adequacy, effectiveness and efficiency of this function;
- it took note of the annual report of the Director in Charge on the identification, assessment and method of management of the main corporate, strategic and process risks of EI Towers Group, performed according to the Enterprise Risk Management method, and expressed its favourable opinion to the Board of Directors on the results in relation to the nature and level of enterprise risk within the Group;
- it expressed its favourable opinion to the Board of Directors with regard to the Enterprise Risk Management Policy of the Company for the purposes and in implementation of Internal Control and Management System Guidelines applicable to the risks of EI Towers Group;
- it expressed its favourable opinion to the Board of Directors regarding the results of the annual review of the strategic objectives of EI Towers Group and the areas of risk/opportunity associated with them;
- it performed the functions attributed to it as the Committee competent for related party transactions and, in particular, expressed a favourable opinion to the Board of Directors regarding the Mediobanca S.p.A. loan operation and the settlement agreement between the Company and CEO/executive with strategic responsibilities Valter Gottardi, as disclosed to the market on 26 September and 14 December 2017 respectively;
- at the time of the approval of the Financial Statements and the Half-Year Financial Report, it reported to the Board of Directors on the activities performed, as well as

on the adequacy of the internal control and risk management system.

In order to provide support for the Board of Directors in approving the periodic financial reports, the Control and Risks Committee also performed preliminary activities during the Financial Year with regard to the main criteria used and the assessments made with reference to such Reports. The relative information was given to the Committee by the CFO and the Manager in charge of corporate accounting documents.

During the Financial Year, the Control and Risks Committee:

- examined and expressed a favourable opinion to the Board of Directors regarding the adoption of the Company's new market abuse Procedures (see section 5 above) in line with new Community regulations on the subject (EU Regulation 596/2014 and the related supplementary and implementation regulations);
- examined and expressed a favourable opinion to the Board of Directors regarding the proposed updating of the Guidelines for EI Towers Group's internal control and risk management system and of EI Towers' "Enterprise Risk Management Policy" for the purposes and in application of such Guidelines;
- monitored progress made on the drafting of EI Towers Group's first Non-financial Statement pursuant to Legislative Decree 254/2016.

During the early months of 2018 this work continued and, specifically, three meetings were held during which the Control and Risks Committee, amongst other things:

- assessed, on a joint basis with the Manager in Charge and having heard the independent auditors Deloitte & Touche S.p.A. and the Board of Statutory Auditors, the main accounting standards applied in the Company and their consistency for the purposes of preparing the 2017 consolidated financial statements, holding them to be correctly applied;
- took note of the activities performed by the Manager in charge of corporate accounting documents pursuant to Law 262/2005 on the protection of Savings, for the purposes of issuing the certificate relating to the financial statements and the consolidated financial statements at 31 December 2017;
- expressed its favourable opinion on the proposal of the Director in Charge to engage the company Protiviti S.r.l. to provide professional services to support the Internal Audit function manager during financial 2018;
- examined and expressed its favourable opinion to the Board of Directors regarding the 2018 Audit Plan and the resources assigned to the Internal Audit function manager;
- examined the periodical report by the Internal Audit function regarding the assessment of the internal control and risk management system of EI Towers Group and took note of the relative conclusions;



- took note of the annual report of the Director in Charge on the identification, assessment and management method of the main corporate, strategic and process risks of EI Towers Group, performed on the basis of the Enterprise Risk Management methodology, and expressed its favourable opinion with regard to the proposal of the Board of Directors on the results in relation to the nature and level of enterprise risk within the Group;
- performed the functions attributed to it as the Committee competent for related party transactions;
- examined the 2017 Consolidated Non-financial Statement and expressed to the Board of Directors its positive assessment of the analyses and contents of the document in relation to sustainability issues of relevance to EI Towers Group, taking into account the relative activities and characteristics and, overall, the process of collecting data and information for the purpose of drafting the Group's first Sustainability Report;
- expressed its favourable opinion with regard to the paragraphs in this Corporate Governance Report describing the internal control and risk management system;
- reported to the Board of Directors on the activities performed, as well as on the adequacy of the internal control and risk management system.

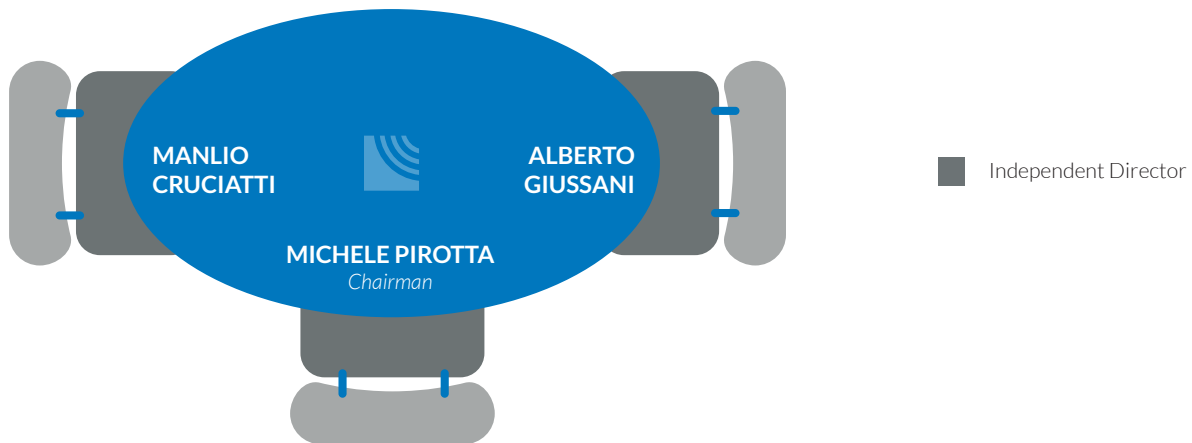
During the performance of the activities and on the basis of the reports and information received from the other internal control and risk management bodies, the Committee deemed that the Internal Control and Risk Management System is adequate as a whole and expressed its favourable opinion on the positive assessment of this System by the Board of Directors.

On 22 April 2015, the Board of Directors assigned the Control and Risks Committee financial resources amounting to two hundred thousand euros annually to perform its functions, also by calling in external consultants where deemed necessary and/or appropriate.

During its meetings, as resolved by the Board of Directors, the Committee had access to the information and corporate functions needed to perform the aforementioned duties. The Committee was supported by external consultants as indicated above.

In compliance with the provisions of the Self-Disciplinary Code, the Chairman of the Committee, at the first possible meeting of the Board of Directors, reports on the meetings held by the Committee.

## CONTROL AND RISKS COMMITTEE (AND RELATED PARTIES COMMITTEE)



## 11

# INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System of EI Towers S.p.A. (hereafter also the **“System”**), as defined by the Self-Disciplinary Code, is integrated in the Company’s organisation and governance arrangements.

The Board of Directors performs its functions with regard to the internal control and risk management system taking adequate account of Italian and international reference models and best practices.

With reference to the latest novelties in the Self-Disciplinary Code (July 2015), on 23 March 2017, after receiving the favourable opinion of the Control and Risks Committee, the Board approved the EI Towers Internal Control and Risk Management System Guidelines (hereafter the **“Guidelines”**), defined in December 2012. The Guidelines, which are implemented by the Director in Charge, identify the Enterprise Risk Management model as the reference model for the supervision of the Internal Control and Risk Management System.

According to the Enterprise Risk Management methodology, risk management is organised based on the definition of the company’s strategy. The main characteristics of the corporate risk management model (hereafter the **“ERM Model”**) of EI Towers are:

- the prioritization of risks (strategic risks and operating, reporting and compliance risks);
- a qualitative and quantitative assessment model of such risks.

Enterprise Risk Management is a continuous process applied across the entire company, involves management at all levels (area managers, process managers and risk managers) and has the goal of managing corporate risks in line with business risk appetite, in order to provide sufficient assurances that the objectives set will be achieved.

The System implemented, in order to ensure the pursuit of corporate goals must, amongst other things, facilitate the identification, measurement, management and monitoring of risks, with a view to the medium-long term sustainability of the business operations of Group Companies<sup>10</sup>.

On 23 March 2017, with the favourable opinion of the Control and Risks Committee, the Board approved the revision of the Company’s Enterprise Risk Management Policy (hereafter **“ERM Policy”**), introduced in November 2014, for the purposes and in implementation of the Guidelines. The Policy describes the ERM Model implemented by EI Towers and the elements that make up the System, as well as defining the roles, responsibilities and main activities performed in this framework by the actors involved and the relative methods of coordination. The ERM Policy, issued by the Director in Charge, is valid for the Issuer and its subsidiary companies.

During the Financial Year, the Board:

- with the favourable opinion of the Internal Control and Risks Committee, examined the Annual Report of the Director in Charge on the identification, assessment and management method of the main corporate, strategic and process risks of EI Towers Group, defining the type and level of risk that is compatible with the strategic objectives identified;
- at the proposal of the Director in Charge, with the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors, engaged Protiviti S.r.l., an external company with adequate professionalism, independence and organisation requirements, to provide professional services to support the Internal Audit function manager during the year;
- with the favourable opinion of the Internal Control and

<sup>10</sup> Further details on the Consolidated Non-financial Statement may be found on the website [www.eitowers.it](http://www.eitowers.it), Governance/Sustainability section.

Risks Committee, having heard the Board of Statutory Auditors and the Director in Charge, approved the 2017 Audit Plan prepared by the Internal Audit function manager;

- examined the results of the annual review of the strategic objectives of EI Towers Group and the areas of risk/opportunity associated with them, confirming such objectives with the favourable opinion of the Control and Risks Committee;
- in consideration of the results of the activities performed by the persons charged with supervising the Internal Control and Risk Management System and the periodical reports of the Control and Risks Committee, with the favourable opinion of same, has assessed such System as being adequate and effective in general terms. The Board also assessed the adequacy of the organisational, administrative and accounting arrangements of the Company and its subsidiary companies of strategic importance, at present TowerTel S.p.A., also with reference to the Internal Control and Risk Management System. The assessments were supported by special descriptive reports on the various operating and control structures prepared by the delegated bodies.

Finally, on 22 February 2018, the Board of Directors, with the favourable opinion of the Control and Risks Committee, examined the annual report of the Director in Charge on the assessment and management methods of the main corporate, strategic and process risks of EI Towers Group, defining the nature and the risk level compatible with the strategic objectives identified. The Board also approved the 2018 Audit Plan prepared by the Internal Audit function (see section 11.2 below).

### MAIN CHARACTERISTICS OF THE EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL INFORMATION PROCESS (ART. 123-BIS, SUB-SECTION 2, LETTER B), TUF)

The risk management and internal control system regarding the financial disclosure process, developed in the framework of the Group, is addressed to guaranteeing the reliability, precision and timeliness of financial disclosures.

The Company, in defining its system, has been guided by indications provided by laws and regulations in force and with reference to international best practices on the subject, in order to guarantee the utmost consistency between the aims of the law and the organisation of the activities introduced to implement same.

Article 154-bis, TUF, provides, in the framework of the corporate organisation of listed issuers, for the role of Manager in Charge of corporate accounting documents, who has been attributed specific responsibilities regarding corporate financial disclosures. For further details regarding the EI Towers Manager in Charge at and other roles and functions involved in this framework, see section 11.5 of this Report.

The internal control and risk management system, as regards the financial information disclosure process, takes the form of a set of administrative accounting procedures and tools to assess the adequacy and effective operation of same, which contribute to forming an internal control model that is maintained, updated and, if real opportunities for rationalisation and optimisation are identified, further developed.

The model is structured in three main phases:

- A.** definition of the analysis framework with the identification and assessment of the risks involved;
- B.** identification and documentation of controls;
- C.** assessment of the adequacy and effective application of administrative and accounting procedures and the relative controls.

### A) DEFINITION OF THE ANALYSIS FRAMEWORK, WITH THE IDENTIFICATION AND ASSESSMENT OF THE RISKS INVOLVED

For the purposes of determining and planning verification activities regarding the adequacy and effective application of the Group's administrative and accounting procedures, the definition of the analysis framework describes the procedure that must be followed to determine the level of complexity, to identify and assess the risks involved, and to assess the materiality of the various areas of the financial statements. This procedure is addressed to assessing control mechanisms for transactions generated by the corporate processes that feed into accounting data and their transposition into financial reporting.

Significant, representative business processes are identified by means of a quantitative analysis of balance sheet items, applying the concept of materiality to aggregate items in the Group's consolidated financial statements, and a qualitative assessment of the processes based on their level of complexity.

For every process identified as relevant, the "generic" risks that the financial reporting implicit in the process is not reliable are then defined, with reference to the so-called financial statement assertions (existence and occurrence, completeness, rights and obligations, assessment and registration, presentation and disclosure), which represent the control objectives.

The Manager in Charge reviews the definition in the reference framework at least annually and whenever factors arise that may modify the analysis performed in a significant manner.

### B) IDENTIFICATION AND DOCUMENTATION OF CONTROLS

Control mechanisms are defined through a process of identification of the administrative and accounting procedures and same respond to various control assertions<sup>11</sup>.

<sup>11</sup> The reference control assertions are:

- accuracy: the control ensures that all the details of individual transactions have been correctly processed;

The controls identified and specifically applied in the performance of the activities are formalised in a special matrix ("Risk and control matrix"), in which their relationship is established with "generic" risks that the financial reporting is not reliable.

The administrative and accounting procedures and relative controls are periodically monitored and updated by means of a process coordinated by the Manager in Charge. With particular reference to the performance of activities involved in the assessment, alignment and documentation of the system, the Manager in Charge collaborates with process owners to promptly identify the events that can influence or modify the reference scheme, the updating of the administrative and accounting procedures, the introduction of the new controls, and the implementation of any improvement plans within the respective processes.

- completeness: the control ensures that all the transactions are processed and processed only once;

- validity: the control ensures that the transaction processed has been submitted to suitable levels of authorisation and effectively refers to corporate reality;

- restricted access: the control ensures that access to information and transactions is adequately configured as a function of the roles and responsibility recognised by the company.

## C) ASSESSMENT OF THE ADEQUACY AND EFFECTIVE APPLICATION OF ADMINISTRATIVE AND ACCOUNTING PROCEDURES AND THE RELATIVE CONTROLS

The assessment of the adequacy and effective application of the administrative and accounting procedures, performed by means of specific testing activities, is addressed to guaranteeing both the intention and the operation of the controls identified.

Testing is performed to ensure the effective application of the controls identified with regard to the "testing strategy" defined. Every six months, the Internal Audit function prepares a report describing the activities performed and outcomes of tests.

Based on the results of testing activities, the Manager in Charge defines a plan to remedy any failings that could have a negative impact on the effectiveness of the System.

The Manager in Charge, in collaboration with process owners in the various areas of competence, coordinates the introduction of any improvement plans and ensures that they have been implemented.

The Manager in Charge reports periodically, at the time of the annual and half-year financial statements, or as required, to the Control and Risks Committee and the Board of Statutory Auditors on the assessment of the adequacy and effective application of the administrative accounting controls and procedures, and also on the observance of any remedial plans drawn up.

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

The Board of Directors, on 22 April 2015, in consideration of the sphere of responsibility attributed to same, confirmed the appointment of CEO Corporate and Management Guido Barbieri as the Director in Charge of the Internal Control and Risk Management System (hereafter "Director in Charge"), assigning same the duties established by the Self-Disciplinary Code. The Director in Charge will remain in office until the expiry of the entire Board of Directors.

During the year, the Director in Charge worked on aligning the Internal Control and Risk Management System with operating condition dynamics and the legal and regulatory framework in which the Company operates.

The Director in Charge implemented the Internal Control and Risk Management System Guidelines defined by the Board of Directors (last revised on 23 March 2017). The identification and assessment model for corporate processes, risks and relative management methods (ERM Model), enables the Director in Charge, taking account of the Group's characteristics and business, to manage the identification of the main corporate risks and submit them for discussion to

the Board of Directors.

The Director in Charge receives support in the implementation and maintenance of the ERM Model, as well as in all the implementation and operating management activities connected with the annual ERM process, by independent outside consultants with expertise in Risk Management engaged by the Director (PricewaterhouseCoopers Advisory S.p.A.).

During the Financial Year, the Director in Charge reported to the Control and Risks Committee and the Board of Directors, as well as to the Board of Statutory Auditors, with regard to the annual review of the strategic objectives of El Towers Group, taking account of the reference economic and regulatory setting and monitoring the previously defined level of risk. The Director in Charge also reported to the Control and Risks Committee and the Board of Directors, as well as to the Board of Statutory Auditors, on the assessment and methods of management of the main corporate strategic and process risks of the Company. In the course of the activities carried out by the Director in Charge, no significant risk

management problems or critical issues were reported to the Control and Risks Committee or the Board of Directors.

Finally, the Director in Charge released the ERM Policy as last amended by the Board of Directors (see section 11).

## 11.2 INTERNAL AUDIT FUNCTION MANAGER

The Board of Directors has appointed the Internal Audit function manager, who is assigned the task of verifying that the Internal Control and Risk Management System is operational and adequate. Specifically, on 22 April 2015, the Board, as proposed by the Director in Charge, confirmed Ettore Sironi as the Internal Audit manager and his remuneration. The Internal Audit manager is not responsible for any operating area and reports to the CEO Corporate and Management, who reports to the Board of Directors.

The objectives, powers and responsibilities of the Internal Audit function are defined in the Mandate approved by the Board of Directors.

The Board of Directors, on 23 February 2017, as proposed by the Director in Charge, with the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors, has engaged Protiviti S.r.l., an independent company specialising in the Risk, Compliance and Internal Audit area, to provide professional services to support the manager of the Internal Audit function for the year. The Board has confirmed the extension of this engagement to cover 2018 too, in consideration of the characteristics of the activities performed by EY Towers and its subsidiary companies and of the organisational experience gained in previous years by Protiviti in the framework of the System.

The Internal Audit function is specifically required to verify the effective operation and suitability of the Internal Control and Risk Management System, by means of an Audit Plan, approved annually by the Board of Directors, based on a process of structured analysis and prioritisation of the main risks.

At the aforementioned meeting on 23 February 2017, the Board of Directors approved the 2017 Audit Plan and assigned the Internal Audit manager financial resources amounting to one hundred thousand euro to perform his responsibilities. Finally, on 22 February 2018, the Board, with

the favourable opinion of the Control and Risks Committee, having heard the Board of Statutory Auditors and the Director in Charge, approved the 2018 Audit Plan and confirmed the aforementioned financial resources for the year in progress too.

During the Financial Year, the Internal Audit manager, with the support of Protiviti S.r.l., in the framework of planned activities, performed audit work (operating and pursuant to Legislative Decree 231/01) on corporate processes, including the information systems. The relative reports, containing the results of the examinations performed, were presented respectively to the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory and Control Body. The Internal Audit manager carried out also an independent advisory activity on specific issues concerning the System, including Quality Assurance based on EY Towers' ERM Model.

During the performance of his assignment, the Internal Audit manager had access to all the information he needed.

The Internal Audit manager, at the time of the approval of the annual and half-year financial statements, prepared his periodic report, containing an overall assessment of the Internal Control and Risk Management System, and submitted it to the Chairman of the Board of Directors and the other System players indicated in the Self-Disciplinary Code. The Reports were examined by the Control and Risks Committee and subsequently submitted to the Board of Directors. No evidence has emerged from the activities performed and the information gathered by the Internal Audit function such as to encourage the belief that the Internal Control and Risk Management System of EY Towers Group is not suitable to achieve an acceptable overall risk profile.

No specific incentive mechanisms have been established in the current financial year for the Internal Audit function manager.

## 11.3 ORGANISATION MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

In the framework of the Internal Control and Risk Management System, the Company has introduced its own Organisation, Management and Control Model pursuant to Legislative Decree 231/01 (hereafter also "**Organisation Model**" or "**Model**"). Specifically, on 25 July 2017, the Board of Directors approved the current version of the Organisation Model. The update concerned the new medio tempore offences added to the predicate offences contemplated in Legislative Decree 231/01 in relation to self-laundering (art.

25-octies, D.Lgs 231/2001) and amendments to existing offences introduced by law 69/2015 "Anti-corruption law" and law 68/2015 "Environmental crime law". The Model also assimilates new rules on corruption between private individuals in Legislative Decree 38/2017, which came into force in April 2017. You are reminded that, in line with best practices on the subject, a specific section is provided in the Organisation Model (in addition to the general sections regarding Legislative Decree 231/01 and those describing the Model),

which for each of the various areas at risk indicates the organisational actions taken by the Company, and revised from time to time, in order to neutralise or in any case contain risks in relation to Legislative Decree 231.

On the same date, the Board of Directors also revised EI Towers Group's Code of Ethics following the latest amendments to the laws on corruption between private individuals (in Legislative Decree 38/2017) and market abuse, promulgated loyalty obligations also in private affairs and reiterated the principles of transparency and fairness in financial transactions and relationships with investors. The Code of Ethics is a fundamental part of the Organisation Model and an integral part of the overall organisation and control system. The Code of Ethics is adopted by EI Towers and its subsidiary companies as if it were their own.

The Organisation Model makes provision for a collegiate Supervisory and Control Body (hereinafter **"ODVC"**). The Company has decided to retain a body with specific competences regarding compliance with Legislative Decree 231/01 and entirely devoted to such activity. On 22 April 2015, the Board of Directors appointed the ODVC, assigning the relative functions to three members, of whom two external, all in possession of the specific subjective requirements necessary (integrity, professionalism, no reasons for incompatibility or conflicts of interest). The ODVC will remain in office until the end of the mandate of the Board, or in other words until the date of the general shareholders' meeting convened on 23 April 2018 to approve the Financial Statements at 31 December 2017. The ODVC has three members, two of whom are external, Furio Ghezzi, Chairman, and Michele Milano, and one internal, Riccardo Cecchi, Legal Affairs Office manager.

Pursuant to the provisions of the Organisation Model, there were no reasons for any of the members of the ODVC to lapse during the Financial Year.

The ODVC has been granted the broadest possible powers

by the Board to ensure prompt and efficient supervision of the operation of and compliance with the Organisation Model. The ODVC is supported primarily by the Internal Audit function and performs its own duties, where necessary, with the support of other corporate functions or external consultants. For the specific purposes of performing the supervisory and control activities attributed to it, the Board of Directors annually assigns the ODVC adequate financial resources, which are reviewed from time to time according to any specific needs arising, in order to permit it to perform its functions with full economic and management independence.

During the year, the Supervisory Body met seven times. At the time of the approval of the Annual and Half-Year Financial Reports, the ODVC reported to the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors pursuant to the provisions of the Organisation Model.

Similar initiatives were taken by subsidiary company TowerTel S.p.A. to implement and update its own Organisation Model, regarding the aforementioned predicate offences, pursuant to Legislative Decree 231/01. The Organisation Model of TowerTel S.p.A. was last updated and approved by the board of directors of the company on 24 July 2017. The alignment process was performed taking account of the organisation and nature of the activities performed by TowerTel S.p.A.

During the Financial Year, the Internal Audit function also carried out "crime risk" (risk-assessment) mapping pursuant to Legislative Decree 231/01 for NETTROTTER S.r.l. to follow up the preliminary mapping done in 2016.

The Code of Ethics and Organisation Models pursuant to Legislative Decree 231/01 of the Company and its subsidiary TowerTel S.p.A. are available on the website [www.eitowers.it](http://www.eitowers.it), Governance/Governance System and Control System sections respectively.

## 11.4 INDEPENDENT AUDITORS

The General Meeting of 18 April 2013 conferred the engagement for the statutory auditing of the accounts (auditing of the financial statements and the consolidated financial statements and limited auditing of the half-year report) of EI Towers for the financial years from 2013 to 2021 on Deloitte & Touche S.p.A. The company engaged to perform the statutory auditing of the accounts of EI Towers has been given the same assignment (pursuant to the law or on a voluntary basis) by all Group companies.

On 25 July 2017, the Board of Directors engaged the accounting firm Deloitte & Touche S.p.A. to provide a limited audit of the Non-financial Declaration of EI Towers Group pursuant to Legislative Decree 254/2016 for the period 2017-2021.

## 11.5 MANAGER IN CHARGE OF PREPARING CORPORATE ACCOUNTING DOCUMENTS

The Board of Directors, on 22 April 2015, after verifying the requirements of professionalism and integrity established by the law and the Bylaws (art. 20) and after receiving the favourable opinion of the Board of Statutory Auditors, confirmed the appointment as Manager in Charge of the preparation of corporate accounting documents (hereafter “Manager in Charge”) of the Company, the EI Towers Group CFO Fabio Caccia, resolving to pay same a gross annual fixed fee consistent with the duties assigned to him. On appointment, he was assigned all the duties provided by current legislation and the Self-Disciplinary Code, as well as the organisational and management powers needed to exercise same. The Manager in Charge, within the budget limits approved by the Board, financial resources are assigned to same annually, amounting in the Financial Year in question to one hundred and fifty thousand euro, for the full performance of the aforementioned duties.

The Manager in Charge reports periodically, at the time of the approval of the annual and half-year financial report, or as required, to the Control and Risks Committee and the Board of Statutory Auditors on the activities undertaken to monitor, control and implement the EI Towers Compliance Model pursuant to Law 262/05.

The Manager in Charge is assisted by the competent corporate administrative functions (Administration and Consolidated Financial Statements in particular) and may call in external consultants within the limits of the financial resources assigned to same.

The Internal Audit function performs activities to verify the adequacy and effective application of the administrative and accounting procedures.

## 11.6 COORDINATION AMONG PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System involves, with various roles and within the scope of their respective competences, the following parties:

- the Board of Directors;
- the Director in Charge;
- the Control and Risks Committee;
- the Internal Audit Function Manager;
- the Board of Statutory Auditors, also in its capacity as internal control and statutory audit committee;
- other enterprise roles and functions with specific internal control and risk management duties (such as, by way of mere example, process and/or risk managers, Managers in Charge, ODVC).

On 23 March 2017, the Board of Directors approved the revision of the Company’s Enterprise Risk Management Policy, which describes the EI Towers ERM Model (see Paragraph 11 above in this Report) and the elements that comprise the System, as well as defining the roles, responsibilities and main activities performed in this framework by the actors involved and the relative methods of coordination. Such coordination, with the support of the Corporate Affairs Office, takes place specifically by means of information flows/exchanges of information between such parties, in observance of the provisions of the law, of the Self-Disciplinary Code and the practices, procedures and models adopted.

# 12

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## DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The Board of Directors, on 31 October 2012, after receiving the favourable opinion of the Control and Risks Committee, introduced the Related Parties Procedure of EI Towers Group (hereafter also the **"Procedure"**).

The Related Parties Procedure, which is available for consultation on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Related Parties section, establishes the rules for the identification, approval, performance and disclosure of related party transactions performed by the Company, directly or through subsidiary companies, in order to ensure the transparency and the material and procedural correctness of the transactions, also in cases of the exclusion of the application of these rules. Specifically, the Procedure has identified transactions of greater and lesser importance, establishing the rules for the performance of same and identifying the transactions to which the aforementioned rules are not applied. Excluded transactions include, in particular, low value transactions (total no greater than Euro 150,000.00), transactions with or between subsidiary and associated companies, and ordinary transactions.

On 22 April 2015, the Board of Directors confirmed that the Control and Risks Committee (see Section 10 above in this Report) is the competent committee with regard to the related party procedure and transactions.

At the end of 2016, the Company, also taking account of the Consob recommendation contained in Communication no. DEM/10078683, 24 September 2010, conducted the appropriate detailed studies and assessments of the Related Parties Procedure. The Control and Risks Committee, on 14 December 2016, in light of its application in practice over the last three years and on the basis of the experience gained, deemed the Procedure to be effective and fit for the purpose of complying with regulations on the subject. The Board of Directors, in its meeting on the same date, also having taken note of the opinion expressed by the Control

and Risks Committee, resolved to leave the Procedure unchanged.

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As regards any directors' interests, without prejudice to the application of the provisions of the Related Party Procedure and compliance with art. 2391, Italian civil code, the Board of Directors has established that the Directors involved must give full notice to the other Directors and the Board of Statutory Auditors about every interest, even potential, which they have in a certain Company transaction, on their own behalf or on behalf of third parties, independently of a situation of conflict, specifying the nature, terms, origin and extent of same; if the person involved is a CEO, they must also refrain from performing the operation.



# 13

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## APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of statutory auditors are regulated by article 18 of the Bylaws.

Specifically, the control of the Company is vested in a Board of Statutory Auditors made up of three standing auditors and three alternate auditors. The Statutory Auditors remain in office for three financial years and may be re-elected.

The statutory auditors are appointed by the General Meeting on the basis of lists. In order to ensure the appointment of a standing and an alternate statutory auditor presented by the minority, lists are presented comprising two sections: one for the appointment of the standing auditors and the other for the appointment of the alternate auditors. The lists must contain a minimum number of candidates equal to the number of candidates to elect, listed by means of a progressive number. The lists, in the section regarding standing statutory auditors and alternate statutory auditors, must include candidates of different genders in the first two places.

Shareholders have a right to present a list if they represent, alone or together with other shareholders, at least **2.5%** of the shares with voting rights at the ordinary shareholders' meetings or who represent a lower percentage that may be established by mandatory provisions of laws or regulations. This latter percentage will be communicated from time to time in the notice of convocation of the general meeting called to resolve on the appointment of the Statutory Auditors. At the General Meeting that appointed the Board of Statutory Auditors on 20 April 2017, the percentage equity stake determined by Consob (resolution no. 19856/2017) pursuant to art.144-quater of the Issuer Regulations, stood at **1%**.

The statutory auditors are elected as follows:

The first two candidates, elected in progressive order, of the list that obtains the most votes and the first candidate in progressive order of the list with the second largest number of votes are elected as standing auditors. The first two candidates in progressive order of the list of alternate auditors

that obtains the most votes and the first candidate of the list of alternate auditors with the second largest number of votes are elected as alternate auditors.

In the event that two or more lists receive the same number of votes, such lists will be voted on again in a second ballot in compliance with the law as it stands at the time, also with regard to gender balance, and the candidates on the list that obtains the simple majority of votes will be elected. In the event two or more lists are presented, the first candidate in progressive order of the list that obtains the most votes after the first is chairman.

If only one list has been presented, the general meeting votes on it by relative majority.

In the event of death, waiver, expiry or in any case ceasing of the office of standing auditor, the alternate auditor elected in first place on the list takes over, as long as such replacement ensures gender balance. If it does not, the alternate auditor elected in second place on the same list takes over. If only one list has been presented, in the event of the replacement of the chairman, the Board of Statutory Auditors chooses and appoints among its members the new chairman who remains in office until the first general meeting, which must appoint a new member to the Board of Statutory Auditors.

If there are no lists, the Board of Statutory Auditors and its chairman are appointed by resolution of the general meeting with the legal majority and in accordance with the law on the subject of gender balance.

The general meeting, which shall make provision for the appointment of the statutory auditors necessary to complete the board pursuant to article 2401, Italian civil code, shall choose, with the legal majorities, among the names on the list to which the statutory auditor who left office belonged; if no names are available, the general meeting makes provision for the replacement with the legal majorities. All in accordance with the law on gender balance.

## 14

# COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

(ART. 123-BIS, SUB-SECTION 2, LETTER D) AND D-BIS), TUF)

The duties of the Board of Statutory Auditors are those specified in art. 149, TUF, as well as the responsibilities contemplated by current law on listed companies, including those on legal audits under Legislative Decree 39, 27 January 2010, and subsequent amendments, the Related Parties Regulations and those on the Non-financial Statement in Legislative Decree 254/2016.

The Board of Statutory Auditors of the Company, comprising three standing members and two alternate members, was elected by resolution of the General Meeting of 20 April 2017 and will remain in office until the general meeting called to approve the financial statements at 31 December 2019.

The provisions of the bylaws introduced by resolution of the General Meeting on 18 April 2013 to ensure compliance with current legislation on gender balance were applied for the first time upon the appointment of the previous Board of Statutory Auditors on 24 April 2014.

You are reminded that at the time of the General Meeting on 20 April 2017, two lists were presented: **List no. 1** presented by shareholders Amber Capital UK LLP (as manager of the fund Amber Amber Active Investors Limited) together with Arca Fondi S.gr. S.p.A. (as manager of the fund Arca Economia Reale Equity Italia), Eurizon Capital Sgr S.p.A. (as manager of the funds Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon Progetto Italia 20, Eurizon Progetto Italia 40 and Eurizon Azioni Pmi Italia), Eurizon Capital Sa (as manager of the funds Equity Small Mid Cap Italy and Equity Italy), Fideuram Asset Management (Ireland) (as manager of the funds Fideuram Fund Equity Italy and Fonditalia Equity Italy), Fideuram Investimenti S.p.A. (as manager of the fund Fideuram Italia), Interfund Sicav Interfund Equity Italy, Kairos Partners Sgr S.p.A. (as Management Company di Kairos

International Sicav - Comparto Key) and Mediolanum Gestione Fondi Sgr. (as manager of the fund Mediolanum Flessibile Italia), representing a total equity stake of **5.771%** of the share capital and **List no. 2** presented by the majority shareholder Elettronica Industriale S.p.A., which holds a **40.001%** stake of the share capital of EI Towers S.p.A.

Below are the candidates in each list presented and the relative percentage of the votes obtained as a proportion of the voting capital (23,685,076 shares representing **83.80%** of the share capital):

- **List no. 1** - candidates for the position of Standing Auditor: Antonio Aristide Mastrangelo, Antonia Di Bella and Filippo Caravati; candidates for the position of Alternate Auditor: Riccardo Losi, Raffaella Pagani and Paolo Prandi.

**Statutory Auditors Elected:** Antonio Aristide Mastrangelo as Standing Auditor; Riccardo Losi as Alternate Auditor.

List no. 1 obtained 7,371,266 votes equal to **31.12%** of the voting capital;

- **List no. 2** - candidates for the position of Standing Auditor: Riccardo Massimo Perotta, Francesca Meneghel and Marco Armarolli; candidates for the position of Alternate Auditor: Francesco Antonio Giampaolo, Flavia Daunia Minutillo and Giancarlo Povoleri.

**Statutory Auditors Elected:** Riccardo Massimo Perotta and Francesca Meneghel as Standing Auditors; Francesco Antonio Giampaolo and Flavia Daunia Minutillo as Alternate Auditors.

List no. 2 obtained no. 16,217,600 votes equal to **68.47%** of

the voting capital.

Standing Auditor Antonio Aristide Mastrangelo, entered in first place on minority List no. 1, was appointed Chairman of the Board of Statutory Auditors.

With the General Meeting of 20 April 2017, the natural term of the previous Board of Statutory Auditors, Francesco Vitadini and Anna Girello ceased to hold the office of Standing Auditor.

There were no changes as of the date of the end of the Financial Year.

The composition of the Board of Statutory Auditors is set out in Table 3 at the end of this report.

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## DIVERSITY POLICIES

On the date of this Report, the composition of the Board of Statutory Auditors is adequately diverse in terms of age, gender and educational and professional qualifications, as detailed below in the summary profiles of its members. Given that the provisions of Legislative Decree 254/2016 (non-financial disclosures and information on diversity by large enterprises and groups) only came into force in 2017, the Board decided to defer to the new Board of Directors the adoption of a diversity policy for the management board and supervisory and control body, the latter appointed in April 2017. For the position expressed by the Board on the size, composition and diversity of the Board itself, see section 4.2 above.

Information regarding the personal and professional characteristics of the members of the Board of Statutory Auditors of the Company is provided below.

**Antonio Aristide Mastrangelo:** born in San Severo (FG) on 17 April 1943, in 1969 he graduated from Luigi Bocconi University, Milan, with a degree in Economic and Commercial Sciences. He is entered in the register of Independent Statutory Auditors and, since 1973, has been a member of the Milan Association of Professional Accountants. He is a member of the “Control in Companies and Entities” commission in the Milan Association of Professional Accountants, a former member of advisory commissions in the National Association of Professional Accountants in Rome, and a former contract lecturer at Modena and Reggio Emilia University and Sacro Cuore University in Piacenza. He is the owner of Studio Mastrangelo Dottori Commercialisti in Milan and provides consulting services to industrial and financial companies on issues relating to company, regulatory, tax and management legislation. He is a board director or statutory auditor of various industrial and financial corporations, including Save S.p.A., Servizi Italia S.p.A., Baglioni Hotels S.p.A. and Sargent.e Holding S.p.A. and Synergo SGR S.p.A. At the present time he is Chairman of the Board of Statutory Auditors of the Company.

**Francesca Meneghel:** born in Treviso on 2 December 1961, graduated in business economics at Università Luigi Bocconi

in Milan. She has been a member of the Milan Association of Professional Accountants and Expert Auditors since 1993 and was enrolled in the Register of Independent Statutory Auditors in 1995. She has practised as a Professional Accountant since 1993 and has long experience in the industrial, banking, financial and advertising sectors. Current posts in listed companies include: chairman Board of Statutory Auditors and Supervisory and Control Body Banca Mediolanum S.p.A., independent director and chairman of Control Risks and Sustainability Committee Geox S.p.A., member of the Board of Statutory Auditors Mediaset S.p.A. She is also chairman of the Board of Statutory Auditors of Avon Cosmetics S.r.l. and a Standing Auditor at Immobiliare Idra S.p.A., Mediolanum Comunicazione S.p.A., Mediolanum Fiduciaria S.p.A., Mediolanum Gestione Fondi SGR S.p.A., Press-Di Abbonamenti S.p.A., Videodue S.r.l. and Dolcedrigo S.p.A.. She has held other posts as chairman or member of the boards of statutory auditors of medium-large companies in the industrial, financial and banking sector, including, among others, Finanza & Futuro Banca S.p.A., Delmi S.p.A., Duemme Sgr S.p.A., Esperia Servizi Fiduciari S.p.A. and Key Client Cards & Solutions S.p.A. She is currently a Standing Auditor of the Company.

**Riccardo Massimo Perotta:** born in Milan on 21 April 1949, he graduated in economics at Università Luigi Bocconi in Milano. He is enrolled in the Register of Independent Statutory Auditors and, since 1975, the Milan Association of Professional Accountants. He is an associate professor of Quantitative Methods For Business Management (accounts and financial statements) at Università Bocconi, where he is in charge of teaching financial statements and extraordinary management. He practises in his own offices, where his main activity is management, corporate and tax consulting for businesses, with a particular focus on extraordinary management operations. He has been a member or chairman of numerous boards of statutory auditors and a director for large companies, many of which listed, in the industrial, financial, insurance and banking sectors including, among others, Banca IMI S.p.A., Campari S.p.A., Eni S.p.A., Fiat S.p.A., Gewiss S.p.A., Intesa Sanpaolo Private Banking S.p.A., Mediaset S.p.A., Mediolanum S.p.A., Parmalat S.p.A., Prada S.p.A. and Snam Rete Gas S.p.A. He is currently chairman and member of the boards of statutory auditors of Boeing S.p.A., Cassa Lombarda S.p.A., Mittel S.p.A., MolMed S.p.A. and Saipem S.p.A. and a director of Sprint Gas S.p.A. and Value Partners Management Consulting S.p.A. He is currently a Standing Auditor of the Company.

**Francesco Antonio Giampaolo:** born in Orta Nova (FG) on 15 February 1943, in 1969 he graduated from Università Cattolica del Sacro Cuore, Milan, with a degree in Economics. He is entered in the register of Independent Statutory Auditors and, since 1975, the Milan association of professional accountants; Technical Consultant to the Court of Milan, he has many years' experience in legal, economic, financial and technical/scientific areas, he is a practicing accountant, serving mainly corporate clients. He has been/is Chairman or a member of the Board of Statutory Auditors of mid-large sized companies operating in the industrial, financial, insurance and credit sectors, including Arnoldo Mondadori Editore S.p.A., Allegri Cesare S.p.A., Fininvest S.p.A., and RTI S.p.A., Il Teatro Manzoni S.p.A., RadioMediaset S.p.A., Monradio S.r.l. and Rizzoli Libri S.p.A.. At the present time he is

an Alternate Auditor of subsidiary company Towertel S.p.A.

**Flavia Daunia Minutillo:** born in Milan on 24 May 1971, in 1995 she graduated from Università Cattolica del Sacro Cuore, Milan. She is entered in the register of Independent Statutory Auditors and the Milan Association of Professional Accountants. In November 2012 she became a qualified Professional Mediator. Formerly a founding partner of Studio Simonelli Associati, she currently practises both as a freelance and in association with other professionals. Since 1998, she has been engaged as Statutory Auditor and Chairman of the Board of Statutory Auditors of various banks, listed companies, securitization companies, fiduciary companies, financial companies, factoring companies and services companies. She is also a member of various Supervisory Bodies (FSI Investimenti S.p.A. and Banca Generali S.p.A.). At the present time she is an Alternate Auditor of the Company.

**Riccardo Losi:** born in Rome on 19 November 1967, he graduated in business and economics at Università La Sapienza in Rome in 1992. He is enrolled in the Register of Independent Statutory Auditors, the Register of Technical Consultants of the Court of Rome, the Roll of Conciliators of the Rome Centre for Prevention and Settlement of Conflicts (Justice Ministry Register). He practises both individually and as a partner in "Studio Losi Cantore Calabrese - Dottori Commercialisti", of which he is a co-founder. He has held numerous posts, including: chairman of the audit committee of CNDCEC - National Council of Professional Accountants and Expert Accounts; chairman of A.N.Do.C - National Association of Professional Accountants, member of the editorial committee of GDC - Journal of the National Council of Professional Accountants, vice-chairman of the Rome Academy of Professional Accountants, member of the Assembly of Delegates of CNPADC - National Professional Accountants and Expert Accountants Pension Fund, inspector Covisoc on behalf of F.I.G.C.; member of the Constituent Committee of "Banca Esperta", chairman of the anti-money laundering Commission of the Rome Association of Professional Accountants and Expert Accounts, member of the Executive Committee of CPRC in Rome, member of the General Council of Fondazione Telos - Centro Studio, Rome Association of Professional Accountants and Expert Accountants, member of the "Business appraisal criteria" Commission of CNDCEC - National Council of Professional Accountants and Expert Accountants. He is also a director and statutory auditor of various companies and currently chairman of the board of statutory auditors of Moncler Spa. He is a member of the CNDCEC Technical Work Group revising the code of conduct of listed company boards of statutory auditors. At the present time he is an Alternate Auditor of the Company.

For more information about the personal and professional characteristics of the members of the Board of Statutory Auditors of the Company, please consult the information available on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Corporate Bodies/Board of Statutory Auditors section.

During the Financial Year, the Board of Statutory Auditors met a total of 12 times, 5 of which of the outgoing Board and 7 of the newly appointed Board, with overall attendance of **97.2%**. The attendance details for each Statutory Auditor are set out in **Table 3** referring to the structure of the Board

of Statutory Auditors reported at the end of this Report. The average length of the meetings was about two hours.

About eight meetings have been planned for financial year 2018, of which three have taken place as of the date of this Report.

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As disclosed to the market, at the time of their appointment by the general meeting on 20 April 2017, all the Statutory Auditors declared they satisfied the requirements provided by the law and the bylaws to hold office.

On 2 May 2017, in compliance with the provisions of the law, applicable regulations and the Self-Disciplinary Code, the Board of Statutory Auditors verified the independence of its members and confirmed the independence requirements of each Statutory Auditor. Specifically, the members of the Board declared and verified:

- that they satisfy the independence requirements provided by article 148, paragraph 3, Consolidated Financial Act;
- that they satisfy the independence requirements provided by the Self-Disciplinary Code;
- that they have no links with the companies that control the Issuer, even indirectly, or with those subject to joint control by same, or with the directors of the aforementioned companies, through relationships of freelance or subordinate work, or through other equity or professional relationships such as to compromise their independence.

The outcome of this verification was reported to the Board of Directors on 4 May 2017 and disclosed to the market on the same day. Also on the same date, the Board of Statutory Auditors performed its verification activities on the correct application of the verification criteria and procedures adopted by the Board to assess the independence of its members, being in agreement with the evaluations expressed by same.

The Board of Statutory Auditors also monitored the independence of the audit firm.

During the year, the statutory auditors attended meetings with the company's management in order to learn more about the business sector in which it operates, the relative risks, the organisational structure and the legal framework (for further details see the Induction Programme described in Section 4, Paragraph 4.2 above in this Report).

The remuneration of the Board of Statutory Auditors is determined, pursuant to the bylaws, by the Shareholders Meeting. For detailed information about the compensation of the Board of Statutory Auditors, see the Company's Remuneration Report available for consultation on the [www.eitowers.it](http://www.eitowers.it) website, Governance/Remuneration section.

\*\*\*\*\*

As envisaged by the Self-Disciplinary Code, Statutory Auditors who, on their own behalf or on behalf of third parties, have an interest in a certain Company transaction promptly and fully inform the other Statutory Auditors and the Chairman of the Board of Directors of the nature, term, origin and scope of their interest.

The Board of Statutory Auditors participates in the work of the Control and Risks Committee, receiving and exchanging information also with other actors in the Internal Control and Risk Management System (such as, for example, the Director in Charge, the Internal Audit function, the ODVC, the Manager in Charge)<sup>12</sup>. In the framework of its supervisory activities, during the year it plans meetings with the managers of corporate functions that oversee company areas or processes, receiving information regarding their management. The Board of Statutory Auditors, if necessary, on internal control issues of common interest, liaises with the Control and Risks Committee to plan such meetings to coincide with Committee meetings.

In performing its activities, the Board of Statutory Auditors usually also attended the meetings of the Remuneration Committee.

Exchange of information between the Board of Statutory Auditors and the control bodies of the subsidiaries took place as required.

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<sup>12</sup> For further details see the preceding paragraphs in this Report regarding the Internal Control and Risk Management System and the actors involved.

# 15

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## RELATIONS WITH SHAREHOLDERS

The Company's website, [www.eitowers.it](http://www.eitowers.it), contains both economic and financial information in the "Investors" section (press releases, financial reports, presentations to the financial community, the market trend of financial instruments issued by the Company), and information and documents of interest to all shareholders in the "Governance" section (composition of corporate bodies, Company Bylaws, General Meeting Regulations and documentation, corporate governance documents and information). On the same website, the El Towers Group Non-financial Statement can be consulted in the "Sustainability section".

On 22 April 2015, the Board of Directors assigned responsibility for managing shareholder relations to the CEO Corporate and Management, Guido Barbieri. The Board also confirmed the corporate structures in charge of this function:

- the Corporate Affairs Office, which supervises relations with retail investors and institutional entities;
- the Investor Relations function, which supervises relations with the financial community.

The contact details and telephone numbers of the Corporate Affairs Office and Investor Relations are available on the Company's website.

No later than the end of January, El Towers publishes its financial calendar for the fiscal year on its website, for consultation by the market and the public.

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## 16

# GENERAL MEETINGS

(ART. 123-BIS, SUB-SECTION 2, LETTER C), TUF)

The Shareholders' Meeting is the corporate event at which a profitable dialogue is entered into by the Company's shareholders and Board of Directors.

Also pursuant to articles 8 and following of the Bylaws, shareholders' meetings represent the universality of the shareholders and their resolutions, passed in conformity with the law and the Bylaws, are binding for all shareholders, even those not voting or those opposed.

General Meetings are called by the administrative body, either at the company's head office or in another location in the European Union, whenever appropriate and in the cases provided by the law. Both the ordinary and extraordinary shareholders' meetings are convened through notice to be published within terms of the law on the Company's Internet site, as well as with the other means provided by applicable laws and regulations.

The Company provides the public with documentation regarding the items of business on the agenda of the general meeting by lodging same, within the legal term, at the company's head office, on the website [www.eitowers.it](http://www.eitowers.it) and on the website of the authorised storage mechanism.

Every shareholder to whom the rights of voting and participating in the shareholders' meeting accrue may elect to be represented by another person, including a person who is not a shareholder, according to the means provided in the notice of meeting, also by e-mail message sent to the address indicated in the notice of meeting before the start of work at the general meeting.

The shareholders' meetings are chaired by the chairman of the board of directors, or, should the chairman be absent or unable to attend, by the vice chairman, if appointed, or, should the vice chairman be absent or unable to attend, by another person elected by the shareholders' meeting by the majority vote of those present, according to the number of votes accruing to each shareholder present.

The validity of the constitution of the shareholders' meetings and of their resolutions is governed by the law. In the event of

a sole session, the majorities referenced in Article 2369, Paragraph 1, second period of the Italian civil code are applied.

The application of the exemption, as provided by prevailing laws and regulations, from the obligation to launch a public purchase offer and/or public exchange offer consequent to merger or demerger transactions shall be precluded only if the majority of the shareholders opposing the related shareholder resolution – as determined on the basis of the provisions of applicable law – represents at least 7.5% of the share capital with voting rights.

The Company's Bylaws make no provision for shares with special voting rights.

The General Meeting has all the powers established by the law. The attribution to the administrative body of competence to make resolutions on matters which are reserved by the law for the decision of the Extraordinary General Meeting (see Section 4, Paragraph 4.3 above in this Report), does not negate the competence of the General Meeting, which retains the power to decide on such matters.

In consideration of the composition of the shareholder base, and taking account of past experience of general meetings, it has not been deemed necessary to make provision for voting instruments such as online voting or voting by correspondence. Methods of voting are used at General Meetings with the goal of making it easier for shareholders to exercise their rights and to guarantee the immediacy of the results of voting.

The Board of Directors prepares its reports illustrating the items of business on the agenda and makes them publicly available at general meetings.

During the annual General Meeting to approve the Financial Statements, the Board of Directors reports on the activities performed and planned, both through the Annual Reports, which are filed and made publicly available before the general meeting under the terms and in the manner provided by the law, and by answering the questions posed by shareholders. The Chairman, a member of the Remuneration Committee,

reported to the General Meeting on how the functions of the Committee are performed.

The General Meeting on 12 January 2017 was attended by all the members of the Board of Directors and Board of Statutory Auditors. The General Meeting on 20 April 2017 was attended by all the Directors and 2 of the 3 Standing Auditors.

The Shareholders Meetings of the Company are governed by Regulations addressed to ensuring that general meetings are conducted in an orderly and functional manner, in full respect of the fundamental rights accruing to all those eligible to participate in general meetings of being able to ask for clarifications on the various issues discussed, of expressing their own opinion, and of making proposals. Specifically, discussions

at general meetings are subject to the provisions of article 8 of the Regulations. The Chairman of the general meeting is responsible for moderating activities, in order to ensure that discussions are conducted fairly and that voting rights are respected. Without prejudice to the law and the indications provided in the notice of meeting with regard to the right of all shareholders with voting rights to put questions to the general meeting, requests to speak on individual items on the agenda may be presented to the office of the chairman from the time the general meeting is convened until the Chairman of the General Meeting declares the discussion of each item on the agenda closed. The Regulations applicable to general meetings, last amended by the General Meeting on 18 April 2013, are published on the [www.eitowers.it](http://www.eitowers.it) website, Governance/General Shareholders' Meeting section.

# 17

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## FURTHER CORPORATE GOVERNANCE PRACTICES

(ART. 123-BIS, SUB SECTION 2, LETTER A), TUF)

The Company, and the Board of Directors on its behalf, carefully monitors sustainability issues connected with business activities, also with a view to introducing changes in its corporate governance policy.



# 18

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## CHANGES SINCE THE CLOSURE OF THE REFERENCE FINANCIAL YEAR

There were no changes in the Company's corporate governance structure between the closing date of the Financial Year and the date of this Report.

## 19

# LETTER OF 13 DECEMBER 2017 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations in the letter of 13 December 2017 from the chairman of the Corporate Governance Committee (hereafter the "Committee"), which reached the Company on 15 December 2017 after the Board of Directors' self-assessment<sup>13</sup>, were put before the Board at the first useful meeting thereafter, on 22 February 2018.

At said meeting, the Board of Directors, on the basis of the Company's corporate governance proposals and the decisions made by the Board during its term of office, took note of the Company's substantial compliance with the recommendations of the Committee regarding pre-board meeting information, variable components of remuneration and claw-back provisions, the assessments of the independence of the directors and board review activities. Regarding the other areas for improvement suggested by the Committee, including the institution of the Appointments Committee and the drawing up of succession plans, the assessments underlying the decisions made by the Board are illustrated in the relevant sections of this Report. Lastly, regarding the recommendation on the awarding of severance pay, reference must be

made to section 2 i) above and the 2018 Remuneration Report, which can be consulted on the website [www.eitowers.it](http://www.eitowers.it), Governance/Remuneration section.

Any confirmation or developments of the aforementioned corporate governance themes will be examined and assessed by the new Board of Directors.

Lissone, 22 March 2018

**The Chairman of the Board of Directors**

*(Alberto Giussani)*



<sup>13</sup> On 14 December 2017. See Section 4.3 above.



## 20

## TABLES

TABLE 1  
INFORMATION ON OWNERSHIP STRUCTURE

STRUCTURE OF SHARE CAPITAL

|                 | No. of shares                        | % of share capital | Listed / non-listed                               | Rights and obligations             |
|-----------------|--------------------------------------|--------------------|---|------------------------------------|
| Ordinary shares | 28.262.377*<br>(par value 0.10 each) | 100%               | Borsa Italiana, Online Stock Market, STAR segment | Pursuant to the law and the bylaws |

\* On the date of this Report the Company holds 1,364,540 treasury shares representing 4.83% of the share capital, the voting rights of which are suspended pursuant to art. 2357ter, Civil Code.

**SIGNIFICANT EQUITY STAKES**

| <b>Declarer</b>                              | <b>Direct shareholder</b>                                   | <b>% of ordinary equity</b> | <b>% of voting equity</b> |
|--|---|-----------------------------|---------------------------|
| <b>Silvio Berlusconi</b>                     | Elettronica Industriale S.p.A.                              | <b>40,001%</b>              | <b>40,001%</b>            |
| <b>BlackRock INC.</b>                        | BlackRock Advisors, LLC                                     | 4,966%                      | 4,966%                    |
|  | BlackRock Investment Management, LLC                        | 2,781%                      | 2,781%                    |
|  | BlackRock Institutional Trust Company, National Association | 0,517%                      | 0,517%                    |
|  | BlackRock Investment Management (Australia) Limited         | 0,082%                      | 0,082%                    |
|  | BlackRock Fund Advisors                                     | 0,465%                      | 0,465%                    |
|  | BlackRock Asset Management Canada Limited                   | 0,064%                      | 0,064%                    |
|  | BlackRock (Netherlands) B.V.                                | 0,010%                      | 0,010%                    |
|  | BlackRock Advisors (UK) Limited                             | 0,179%                      | 0,179%                    |
|  | <b>Total</b>  | <b>9,064%</b>               | <b>9,064%</b>             |
| <b>Threadneedle Asset Management Limited</b> | Threadneedle Asset Management Holdings Limited              | <b>9,124%</b>               | <b>9,124%</b>             |
| <b>Artemis Investment Management LLP</b>     | Artemis Investment Management LLP                           | <b>5,026%</b>               | <b>5,026%</b>             |

TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

| Office          | BOARD OF DIRECTORS   |               |                           |                |                               |        |       |           |             |            | CONTROL AND RISKS COMMITTEE |     |       |      | REMUNERATION COMMITTEE |      | APPOINTMENTS COMMITTEE |      | EXECUTIVE COMMITTEE |      |
|-----------------|----------------------|---------------|---------------------------|----------------|-------------------------------|--------|-------|-----------|-------------|------------|-----------------------------|-----|-------|------|------------------------|------|------------------------|------|---------------------|------|
|                 | Members              | Date of birth | Date of first appointment | In office from | In office until               | List** | Exec. | Non exec. | Indep. Code | Indep. TUF | No. of other offices***     | (*) | (*)   | (**) | (*)                    | (**) | (*)                    | (**) | (*)                 | (**) |
| <b>Chairman</b> | GIUSSANI ALBERTO     | 1946          | 30.12.2011*               | 21.04.2015     | AGM 2017 financial statements | M      |       | X         | X           | X          | 3                           | 9/9 | 10/10 | M    | 5/5                    | P    |                        |      |                     |      |
| <b>CEO ♦</b>    | BARBIERI GUIDO       | 1966          | 30.12.2011*               | 21.04.2015     | AGM 2017 financial statements | M      | X     |           |             |            |                             | 9/9 |       |      |                        |      |                        |      |                     |      |
| <b>CEO ◊</b>    | GOTTARDI VALTER      | 1955          | 30.12.2011*               | 21.04.2015     | AGM 2017 financial statements | M      | X     |           |             |            |                             | 9/9 |       |      |                        |      |                        |      |                     |      |
| <b>Director</b> | CASALI PAOLA         | 1967          | 21.04.2015                | 21.04.2015     | AGM 2017 financial statements | M      |       | X         | X           | X          |                             | 9/9 |       |      | 5/5                    | M    |                        |      |                     |      |
| <b>Director</b> | CRUCIATTI MANLIO     | 1949          | 29.02.2012                | 21.04.2015     | AGM 2017 financial statements | M      |       | X         | X           | X          |                             | 9/9 | 10/10 | M    |                        |      |                        |      |                     |      |
| <b>Director</b> | INVERNIZZI PIERCARLO | 1965          | 29.02.2012                | 21.04.2015     | AGM 2017 financial statements | M      | X     |           |             |            |                             | 8/9 |       |      |                        |      |                        |      |                     |      |
| <b>Director</b> | LO VERSO ROSA MARIA  | 1965          | 21.04.2015                | 21.04.2015     | AGM 2017 financial statements | M      |       | X         | X           | X          |                             | 7/9 |       |      |                        |      |                        |      |                     |      |
| <b>Director</b> | PIROTTA MICHELE      | 1964          | 29.02.2012                | 21.04.2015     | AGM 2017 financial statements | M      |       | X         | X           | X          | 1                           | 9/9 | 10/10 | P    |                        |      |                        |      |                     |      |
| <b>Director</b> | SIRONI FRANCESCO     | 1969          | 21.04.2015                | 21.04.2015     | AGM 2017 financial statements | m      |       | X         | X           | X          | 5                           | 9/9 |       |      | 5/5                    | M    |                        |      |                     |      |

## DIRECTORS CEASING TO HOLD OFFICE DURING THE FINANCIAL YEAR

| No. of meetings held during the financial year: 9   | Control and Risks Committee: 10 | Remuneration Committee: 5 | Appointments Committee: | Executive Committee: |
|---|---------------------------------|---------------------------|-------------------------|----------------------|
| <b>Quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to art. 147-ter TUF): 1%</b> |                                 |                           |                         |                      |

♦ Director in Charge of the Internal Control and Risk Management System.  
◊ CEO Corporate and Management.

\* First appointed by the BoD (lex DMT Sp.A.) by co-optation on 30.12.2011.

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

\*\*\* This column indicates the number of offices of director or statutory auditor held by the subject in question in other listed companies in regulated markets, including foreign markets, in financial, banking or insurance companies or in companies of a significant size. For a list of such companies see paragraph 4.2 of this Report.

(\*) This column indicates the attendance of directors at the meetings of the BoD and Committees (number of meetings attended by the director out of the total number of meetings held during the financial year).

(\*\*) This column indicates the qualification of the director in the Committee: "P": Chairman; "M": member.

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

**COLLEGIO SINDACALE**

| Office                  | Members                      | Date of birth | Date of first appointment | In office from | In office until               | List** | Indep. Code | Attendance of Board of Statutory Auditors' meetings*** | No. of other offices**** |
|-------------------------|------------------------------|---------------|---------------------------|----------------|-------------------------------|--------|-------------|--|--------------------------|
| <b>Chairman</b>         | MASTRANGELO ANTONIO ARISTIDE | 1943          | 24.04.2014                | 20.04.2017     | AGM 2019 financial statements | m      | X           | 12/12  | 17                       |
| <b>Standing Auditor</b> | MENEGHEL FRANCESCA           | 1961          | 20.04.2017                | 20.04.2017     | AGM 2019 financial statements | M      | X           | 7/7  | 7                        |
| <b>Standing Auditor</b> | RICCARDO MASSIMO PEROTTA     | 1949          | 20.04.2017                | 20.04.2017     | AGM 2019 financial statements | M      | X           | 7/7  | 7                        |
| <b>Standing Auditor</b> | GIAMPAOLO FRANCESCO ANTONIO  | 1943          | 24.04.2014                | 20.04.2017     | AGM 2019 financial statements | M      | X           | -  | 26                       |
| <b>Standing Auditor</b> | MINUTILLO FLAVIA DAUNIA      | 1971          | 24.04.2014                | 20.04.2017     | AGM 2019 financial statements | M      | X           | -  | 13                       |
| <b>Standing Auditor</b> | RICCARDO LOSI                | 1967          | 20.04.2017                | 20.04.2017     | AGM 2019 financial statements | m      | X           | -  | 10                       |

**STATUTORY AUDITORS CEASING TO HOLD OFFICE DURING THE FINANCIAL YEAR**

|                         |                     |      |             |            |                               |   |   |     |  |
|-------------------------|---------------------|------|-------------|------------|-------------------------------|---|---|-----|--|
| <b>Standing Auditor</b> | VITTADINI FRANCESCO | 1943 | 29.04.2005* | 24.04.2014 | AGM 2016 financial statements | M | X | 5/5 |  |
| <b>Standing Auditor</b> | GIRELLO ANNA        | 1971 | 29.04.2008  | 24.04.2014 | AGM 2016 financial statements | M | X | 4/5 |  |
| <b>Standing Auditor</b> | PERLI FEDERICA      | 1971 | 24.04.2014  | 24.04.2014 | AGM 2016 financial statements | m | X | -   |  |

**Number of meetings held during the financial year: 12**

**Quorum required to present lists by minorities for the election of one or more members (pursuant to art. 148 TUF): 1% (\*\*)**

\* Date of the General Meeting at which the Board of Statutory Auditors of the Company was appointed (ex DMT S.p.A.) after the listing of the issuer's shares on the Online Stock Market (MITA) of Borsa Italiana. At such date Francesco Vittadini was already a Statutory Auditor of DMT S.p.A.

\*\* Date of taking over the office of Standing Auditor of the Company (ex DMT S.p.A.). Most recently appointed by the General Shareholders' Meeting of the Company on 6 May 2011. The Statutory Auditor remained in office until the natural expiry.

\*\*\* This column indicates the list from which each statutory auditor was taken ("M": majority list; "m": minority list).

\*\*\*\* This column indicates the attendance of statutory auditors at the meetings of the board of statutory auditors (number of meetings attended by the Statutory Auditor out of the total number of meetings held during the financial year).

\*\*\*\*\* This column indicates the number of offices of director or statutory auditor held by the subject in question pursuant to art. 148-bis TUF.









**EI TOWERS S.p.A.**

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