



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

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

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

(traditional administrative and control model)

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

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

Financial year: year ended 31 December 2018

Report approval date: 28 February 2019.

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## GLOSSARY

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

**"Director"** or **"Directors"**: shall mean MZBG's directors.

**"Executive Directors"**: shall mean the directors meeting the following criteria, pursuant to the recommendations made in article 2.C.1. of the Code:

- (i) the managing directors of the Issuer or of a subsidiary of strategic relevance, including their Chairmen when these are granted individual management powers or when they play a specific role in the definition of the business;
- (ii) the directors vested with management duties within the Issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the Issuer;
- (iii) the directors who are members of the executive committee of the Issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the Issuer.

**"SCIGR Director"**: shall mean the director in charge of the Company's internal audit and risk management system, pursuant to the recommendations set out in articles 7.P.3.a) and 7.C.4. of the Code.

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

**"Corporate Governance Code"** or **"Code"**: shall mean the Corporate Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**"Civil Code"**: shall mean the Italian Civil Code (Royal Decree 16 March 1942, No. 262).

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

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

**"Report Date"**: shall mean the date on which this Report was approved by the Board of Directors of MZBG, i.e. 28 February 2019.

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

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

**"Manager in charge of the preparation of corporate accounting documents"**: shall mean the manager in charge of the preparation of corporate accounting documents pursuant to article 154-bis of the Consolidated Law on Finance.

**"Financial Year"**: shall mean the financial year ended 31 December 2018, to which the Report refers.

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

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

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

**"CONSOB Issuer Regulations"**: shall mean the Regulations issued by CONSOB as per resolution No. 11971 of 14 May 1999 (as amended and restated from time to time) applicable to issuers.

**"CONSOB Market Regulations"**: shall mean the Regulations issued by CONSOB as per resolution No. 20249 of 28 December 2007 (as amended and restated from time to time) applicable to stock markets.

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

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

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

## **INTRODUCTION**

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

It should be noted that the format of the January 2019 edition of the Report on Corporate Governance and Ownership Structures was taken into account when drawing up this Report.

This Report, which was approved by the Board of Directors of the Company at its meeting held on 28 February 2019 is available to the public on the MZBG website at [www.mzb-group.com](http://www.mzb-group.com) under the "*IR/Shareholders*" section.

## 1. ISSUER PROFILE

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

The MZB Group is a world leader in the production, processing and distribution of roasted coffee, which are distributed in approximately 110 countries. The MZB Group manages activities spanning from procurement to consumption, operating in approximately 20 factories in Europe, Asia and the Americas and through an international network of around 400 coffee shops in 50 countries. Furthermore, MZBG completes its range of products with the sale of coffee machines and complementary products such as tea, chocolate and high-quality spices.

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

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

Within the Board of Directors, the Nominating and Remuneration Committee and the Audit and Risk Committee have been established, both with propositional and advisory functions as provided for by the Corporate Governance Code. A committee for related-party transactions has also been established within the Board of Directors (the "**Related Parties Committee**").

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

The legally-required audit of the separate and consolidated financial statements as at and for the years ended 31 December 2015, 2016 and 2017 and the years ending 31 December 2018, 2019, 2020, 2021, 2022 and 2023, as well as the review of the condensed interim consolidated financial statements for the six-month period ended 30 June 2015, 2016 and 2017 and the six-month periods ending 30 June 2018, 2019, 2020, 2021, 2022 and 2023 was assigned to the independent auditors PricewaterhouseCoopers S.p.A., with registered offices at Via Monte Rosa, no. 91, Milan, registered under No. 43 in the Special Register for Independent Auditors maintained by the Ministry of Economy and Finance and under registration number 119644 on the Register of Auditors, appointed by the Shareholders' Meeting on recommendation of the Board of Statutory Auditors in compliance with the legal provisions of Legislative Decree no. 39/2010.

MZBG, as the parent, performs direction activities of business strategies and direction and coordination activities over the Italian group companies owned by the same, pursuant to Articles 2497 et seq. of the Civil Code.

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

The Issuer falls within the definition of SME under art. 1, par. 1(*w-quater*.1) of the TUF and art. 2-*ter* of the CONSOB Issuer Regulation.

In fact:

- (i) its market capitalisation at the end of the Financial Year was equal to € 197.2 million
- (ii) its turnover during the Financial Year was equal to € 891.2 million.



**2. INFORMATION ON OWNERSHIP STRUCTURES (pursuant to Art. 123-bis, paragraph 1 of the Consolidated Law on Finance) on 28 February 2019**

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

On the Report Date, the share capital amounts to € 34,300,000 entirely subscribed and paid-up, subdivided into 34,300,000 ordinary shares with no par value, as per Table 1, included in the appendix.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) ***Loan agreement signed on 15 February 2016 between Segafredo Zanetti S.p.A. and Banca Popolare dell'Emilia Romagna, Soc. Coop.***

On 15 February 2016, the subsidiary Segafredo Zanetti S.p.A. ("**SZ**"), as the borrower, and Banca Popolare dell'Emilia Romagna, Soc. Coop., as the lender ("**BPER**"), entered into a loan agreement whereby BPER granted SZ a credit facility for an aggregate amount of € 5,000,000 (the "**BPER Loan Agreement**"). Pursuant to the BPER Loan Agreement, BPER shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to SZ's controlling shareholding structure.

- (ii) ***Loan agreement signed on 21 March 2016 between MZBG and UBI Banca S.p.A.***

On 21 March 2016, MZBG, as the borrower, and UBI Banca S.p.A., as the lender ("**UBI**"), entered into a loan agreement whereby UBI granted MZBG a credit facility for an aggregate amount of € 15,000,000 (the "**UBI Loan Agreement**"). Pursuant to the UBI Loan Agreement, UBI shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

- (iii) ***Loan agreement signed on 24 May 2016 between MZBG and Banca Friuladria S.p.A.***

On 24 May 2016, MZBG, as the borrower, and Banca Friuladria S.p.A., as the lender ("**BF**"), entered into a loan agreement whereby BF granted MZBG a credit facility for an aggregate amount of € 9,000,000 (the "**BF Loan Agreement**"). Pursuant to the BF Loan Agreement, BF shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

- (iv) ***Loan agreement signed on 11 August 2016 between MZBG and Intesa Sanpaolo S.p.A.***

On 11 August 2016, MZBG, as the borrower, and Intesa Sanpaolo S.p.A., as the lender ("**ISP**"), entered into a loan agreement whereby ISP granted MZBG a credit facility for an aggregate amount of € 50,000,000 (the "**ISP Loan Agreement**"). Pursuant to the ISP Loan Agreement, ISP shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

On 29 June 2017, MZBG and ISP entered into an interest rate swap whereby the parties undertook to exchange, at predefined dates and on the basis of predetermined notional amounts, a fixed rate against a variable rate; specifically, MZBG agreed to pay IPS a fixed rate of 0.228% on a principal of € 50,000,000 (corresponding to the loan granted under the ISP Loan Agreement) in return for the payment by the latter of a variable rate equal to the 6-month Euribor rate, corresponding to the interest rate agreed in the ISP Loan Agreement.

(v) ***Loan agreement signed on 6 September 2016 between MZBG and Coöperatieve Rabobank U.A. - Milan branch***

On 6 September 2016, MZBG, as the borrower, and Coöperatieve Rabobank U.A. - Milan branch, as the lender ("**RB**"), entered into a loan agreement whereby RB granted MZBG a credit facility for an aggregate amount of € 50,000,000 (the "**RB Loan Agreement**"). Pursuant to the RB Loan Agreement, RB shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

On 29 June 2017, MZBG and RB entered into an interest rate swap whereby the parties undertook to exchange, at predefined dates and on the basis of predetermined notional amounts, a fixed rate against a variable rate; specifically, MZBG agreed to pay RB a fixed rate of 0.20% on a principal of € 25,000,000 (corresponding to 50% of the loan granted under the RB Loan Agreement) in return for the payment by the latter of a variable rate equal to the 6-month Euribor rate, corresponding to the interest rate agreed in the RB Loan Agreement.

(vi) ***Loan agreement signed on 4 October 2016 between MZBG and Banca Sella S.p.A.***

On 4 October 2016, MZBG, as the borrower, and Banca Sella S.p.A., as the lender ("**BS**"), entered into a loan agreement whereby BS granted MZBG a credit facility for an aggregate amount of € 10,000,000 (the "**BS Loan Agreement**"). Pursuant to the BS Loan Agreement, BS shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

(vii) ***Loan agreement signed on 12 October 2016 between MZBG and Banca Nazionale del Lavoro S.p.A.***

On 12 October 2016, MZBG, as the borrower, and Banca Nazionale del Lavoro S.p.A. - Bologna branch, as the lender ("**BNL**"), entered into a loan agreement whereby BNL granted MZBG a credit facility for an aggregate amount of € 20,000,000 (the "**BNL Loan Agreement**"). Pursuant to the BNL Loan Agreement, BNL shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

(viii) ***Loan agreement signed on 25 October 2016 between MZBG and BPER***

On 25 October 2016, MZBG, as the borrower, and BPER, as the lender, entered into a loan agreement whereby BPER granted MZBG a credit facility for an aggregate amount of € 10,000,000 (the "**Second BPER Loan Agreement**").

Pursuant to the Second BPER Loan Agreement, BPER shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

(ix) ***Loan agreement signed on 7 April 2017 between SZ and Banco BPM S.p.A.***

On 7 April 2017, SZ, as the borrower, and Banco BPM S.p.A., as the lender ("**Banco BPM**"), entered into a loan agreement whereby BPM granted SZ a

credit facility for an aggregate amount of € 10,000,000 (the "**Banco BPM Loan Agreement**"). Pursuant to the Banco BPM Loan Agreement, Banco BPM shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to SZ's controlling shareholding structure.

(x) ***Loan agreement signed on 18 May 2017 between MZBG and UBI***

On 18 May 2017, MZBG, as the borrower, and UBI, as the lender, entered into a loan agreement whereby UBI granted MZBG a credit facility for an aggregate amount of € 15,000,000 (the "**Second UBI Loan Agreement**"). Pursuant to the UBI Loan Agreement, UBI shall have the right to terminate the Agreement and to demand the immediate repayment of all amounts due thereunder in the case, inter alia, of modifications to MZBG's controlling shareholding structure.

In addition to the above loan agreement, MZBG and UBI entered into an interest rate swap whereby the parties undertook to exchange, at predefined dates and on the basis of predetermined notional amounts, a fixed rate against a variable rate; specifically, MZBG agreed to pay UBI a fixed rate of 0.08% on a principal of € 7,500,000 (corresponding to 50% of the loan granted under the Second UBI Loan Agreement) in return for the payment by the latter of a variable rate equal to the 3-month Euribor rate, corresponding to the interest rate agreed in the Second UBI Loan Agreement.

(xi) ***Credit Agreement signed on 13 December 2017 between Massimo Zanetti Beverage USA and Wells Fargo Bank, National Association and JPMorgan Chase Bank, N.A. and Bank of America N.A.***

On 13 December 2017, Massimo Zanetti Beverage USA, as the borrower, and Wells Fargo Bank, National Association and JPMorgan Chase Bank, N.A. and Bank of America N.A., as the lenders, entered into a Credit Agreement, whereby the lenders granted MZBG a loan that, starting from a minimum of USD 30,000,000, may reach under certain conditions an aggregate amount of USD 95,000,000 (the "**Wells Fargo Loan Agreement**"). Pursuant to the Loan Agreement, Wells Fargo shall have, *inter alia*, the right to terminate the agreement and to demand the immediate repayment of any amount due under the Agreement, *inter alia*, if: (i) a party (individually or jointly with others) buys 25% or more of the shares with voting rights of the Issuer, or (ii) the Issuer no longer holds (directly or indirectly) 100% of the share capital of Massimo Zanetti Beverage USA.

(xii) ***Loan agreement signed on 20 February 2019 between MZBG and Creval S.p.A.***

On 20 February 2019, MZBG, as the borrower, and Creval S.p.A. ("**Creval**"), as the lender, entered into an unsecured loan agreement whereby Creval granted MZBG a credit facility for an aggregate amount of € 15,000,000 ("**Creval Loan Agreement**"). Pursuant to the Creval Loan Agreement, the change of control results in the activation of the acceleration clause pursuant to art. 1186 of the Civil Code.

\* \* \* \* \*

The Bylaws do not derogate from the passivity rule provisions set forth in Art. 104, paragraphs 1 and 1-bis of the Consolidated Law on Finance, nor provide for the

application of the neutralisation rules provided for by Art. 104-bis, paragraphs 2 and 3 of the Consolidated Law on Finance.

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

At the Report Date, there were no powers to increase share capital or authorisations for the purchase of treasury shares.

**j) Direction and coordination (pursuant to Art. 2497 et seq. of the Civil Code)**

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

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

\* \* \*

It is noted that:

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

**3. COMPLIANCE (pursuant to Art. 123-bis, paragraph 2, letter a) of the Consolidated Law on Finance)**

MZBG complies with the Corporate Governance Code, available to the public on the Borsa Italiana website in the Corporate Governance Committee section of the following webpage:

<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm>

MZBG is a company with shares listed on the "STAR" segment of the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., as of 3 June 2015.

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

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

## **4. BOARD OF DIRECTORS**

### **4.1 APPOINTMENT AND REPLACEMENT (pursuant to Art. 123-bis, paragraph 1, letter l), Consolidated Law on Finance)**

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

Pursuant to art. 13 of the Bylaws, the Company is managed by a Board of Directors made up of between 7 (seven) and 11 (eleven) members. Prior to the appointment thereof, the Shareholders' Meeting shall determine their number within the limits indicated above. The Directors shall be appointed for a period of three years, or for the period established at the time of appointment in any case not exceeding three years, and may be re-elected. Appointment to the office of Director shall be subject to the requisites established by law, the Bylaws and other applicable provisions.

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

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

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

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

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

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

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

Lists presenting 3 (three) or more candidates must contain candidates of both genders, so that at least one third (rounded up) of the candidates belong to the less represented gender.

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

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

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

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

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

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

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

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

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

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

If during the year one or more of the Directors cease to hold office, the procedure pursuant to art. 2386 of the Civil Code shall apply. If one or more of the ceased Directors had been taken from a list containing also the names of candidates not elected, the replacement is effected by appointing, in consecutive order, candidates drawn from the same list of the ceased Director and who are still eligible for appointment and are willing to accept the office, or in the absence of such candidates in the list or their unavailability, by appointing another candidate proposed



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

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

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

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

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

### ***Succession plans***

In consideration of the rules established by the Bylaws and the law applicable for the appointment and renewal of the Board and taking into account the current composition of the Board and of the delegation of attributed powers, the Board of Directors has considered the adoption of a formal succession plan for executive directors to be currently unnecessary.

#### 4.2 COMPOSITION (pursuant to Art. 123-bis, paragraph 2, letters d) and d-bis, Consolidated Law on Finance)

The ordinary Shareholders' Meeting of 11 April 2017 appointed with effect until approval of the financial statements for the year ending 31 December 2019, a Board of Directors composed of 9 members, including those in possession of the independence requirements provided for by the combined provisions of articles 147-*ter*, paragraphs 4 and 148, paragraph 3 of the Consolidated Law on Finance, and in accordance with article 3 of the Corporate Governance Code, as follows:

Name and surname	Office
Massimo Zanetti	Chairperson and Chief Executive Officer
Matteo Zanetti	Non-Executive Director
Laura Zanetti	Non-Executive Director
Massimo Mambelli	Executive Director
Lawrence L. Quier	Executive Director
Maria Pilar Arbona Palmeiro Goncalves Braga Pimenta	Non-Executive Director
Mara Vanzetta	Independent Director
Sabrina Delle Curti	Independent Director
Giorgio Valerio	Independent Director

During this meeting, only the list of the majority shareholder, Massimo Zanetti Industries S.A., which owned 68.0465% of the Company's shares on that date, was submitted. The list was posted and is still available for consultation on the [www.mzb-group.com](http://www.mzb-group.com) website, together with the documents required by the Bylaws.

The candidates of the list were appointed with the favourable vote of 94.367% of the share capital present at the Shareholders' Meeting.

On 21 May 2018, Mr Lawrence L. Quier resigned from his position as director of the Company, effective 18 June 2018. Mr Leonardo Rossi was co-opted on 18 June 2018 to replace the outgoing director; pursuant to Art. 2386 of the Italian Civil Code and Art. 13.16 of the Bylaws, he will remain in office until the next Shareholders' Meeting. On the same date, the Board of Directors of MZBG appointed Leonardo Rossi as Chief Financial Officer in his capacity as manager (executive) of the Company, granting him the functions, responsibilities and powers specified in section 4.5 of this Report. In light of the above, Leonardo Rossi, in his capacity as director holding executive positions in the Issuer, has become an executive director.

Massimo Mambelli has surrendered the powers previously granted to him by the Board of Directors, effective 18 June 2018, being therefore qualified as non-executive director of the Issuer.

Therefore, at the Report Date, the Board of Directors includes the following members:

Name and surname	Office
Massimo Zanetti	Chairperson and Chief Executive Officer
Matteo Zanetti	Non-Executive Director
Laura Zanetti	Non-Executive Director
Massimo Mambelli	Non-Executive Director
Leonardo Rossi	Executive Director
Maria Pilar Arbona Palmeiro Goncalves Braga Pimenta	Non-Executive Director
Mara Vanzetta	Independent Director
Sabrina Delle Curti	Independent Director
Giorgio Valerio	Independent Director

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

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

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

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

**Laura Zanetti** - Born in Treviso on 12 March 1974. She graduated in law at the University of Bologna. She practised law at the law firm Bernini in Bologna while working with the legal department and foreign trade office of Segafredo Zanetti S.p.A.. Since its foundation in 2007, she has been a director of, and has managed, the Zanetti Foundation Onlus, which helps disadvantaged children in Italy and in the world. She is also a Board member of the Issuer and of various MZB Group companies.

**Massimo Mambelli** - Born in Bari on 14 November 1957. Graduating in economics at the University of Bologna in May 1981, he worked at BNL from August 1982 to December 1983 and at auditing firm Coopers and Lybrand from January 1984 to October 1988. In November 1988 he joined the Massimo Zanetti Beverage Group as Chief Financial Officer of Segafredo

Zanetti S.p.A., also taking responsibility for the consolidated financial statements. In November 1993 he began to cover positions at other companies in the Group and became part of the team that handled the Group's M&A operations, focusing on the administrative and financial aspects. He is also a Non-Executive Director of the Issuer and Director of various MZB Group companies.

**Leonardo Rossi** - Born in Piacenza on April 12, 1972, he graduated in Economics at the Luigi Bocconi University in Milan. From 1998 to 2000 he worked in the Finance Department at Sisal group and, from 2000 to 2003, in the Strategic Planning Department of Hutchison 3G Italia (nowadays "WindTre"). In 2003 he joined Barilla group as Finance Manager and from 2006 to 2007 he was in Chicago working in the US subsidiary. In October 2008 he worked with Rana group as Finance Manager Export Markets where, until 2011, he followed the European subsidiaries and, from 2001 to 2016, he has been engaged in the start-up of the American subsidiaries in Chicago and New York. Since May 2016 he has been working with the Massimo Zanetti Beverage Group S.p.A. as Finance Director. Leonardo Rossi was appointed Director of the Board of Massimo Zanetti Beverage Group S.p.A. on June 18, 2018. From the same date he has been appointed Chief Financial Officer (in charge also of Compliance, Legal, IT), Director responsible for the internal control and risk management system and Responsible of the Inside Information Management Function.

**Maria Pilar Arbona Palmeiro Goncalves Braga Pimenta** - Born in Lisbon, Portugal on 9 September 1969, is a Portuguese and Australian citizen. She graduated in economics at the University of Porto, Portugal in 1993 and obtained an MBA from the University of Porto Business School in 1999. She was senior auditor at Arthur Andersen, SA in Porto from 1992 to 1994. Thereafter until 2006 she was first assistant at the Administration Department of Segafredo Zanetti Portugal, SA, and then financial controller. From 2006 to 2008 she was managing director at Segafredo Zanetti Portugal, SA. From 2008 to 2015 she was a director at Segafredo Zanetti Australia Pty Ltd and, since February 2014, she was a director at Segafredo Zanetti New Zealand Ltd. From January to June 2016 she held the office of Managing Director of Performance and Commercial Capabilities of the Company. Since December 2016, she has been Managing Director of Brodie Melrose Drsydale & Co Ltd. Since July 2014, she has also been a non-executive director of the Issuer.

**Mara Vanzetta**. Born in Cavalese (TN) on 16 March 1967, graduated in economics from the Università Cattolica del Sacro Cuore of Milan in 1991, enrolled in the Auditors' Register since 1995.

In the same year, Mara practised the profession in the firm of Mr. Maurizio Maffeis, with whom in 1994, she established the Studio Associato Maffeis - Vanzetta. Since October 2014, she has been Managing Partner of Studio Vanzetta e Associati. Specialised in corporate and tax consulting and corporate restructuring, Mara has worked with many private equity funds and real estate investment funds. She is member of the Board of Directors, Statutory Auditor and member of the Supervisory Board in major Italian and international companies. Currently, she is also an independent director of the Issuer.

**Sabrina Delle Curti**. Born in Bassano del Grappa (VI) on 16 May 1975, graduated in law at the University of Parma in 2001, Sabrina started her professional career at a leading Italian law firm, where she mainly dealt with M&A transactions in various industries and developed considerable expertise in capital markets. Fully qualified lawyer in 2005, she worked "in house" with Sopaf S.p.A.. In 2011, she was appointed as General Counsel of Green Hunter S.p.A., where she also held the position of Secretary to the Board of Directors and the company's subsidiaries. Since 2015, she has been General Counsel of the Cerved Group, Director of Cerved Group S.p.A. and Secretary to the Board of Directors. Currently, she is also an independent director of the Issuer.

**Giorgio Valerio.** Born in Milan on 13 July 1966, graduated in Business Administration from the University of San Francisco in 1989, Giorgio was in charge of Italy's financial markets and institutional investors at Schroder Securities Ltd from September 1989 to 1992. He was subsequently appointed as officer of Mediobanca's Equity investments and special affairs' services, in the advisory, corporate finance and M&A sectors and Corporate Deputy Chairperson of the holding company. In January 2001, he was appointed as Corporate Director for RCS Mediagroup's development, planning and management control. From 2003 to 2005, he acted as the Managing Director of Unidad Editorial SA, a media group based in Spain owned by RCS Mediagroup. From 2006 to 2010, he acted as RCS Quotidiani's Managing Director and held several positions in other RCS Mediagroup companies. Since 2011, he has been Advisor and Venture Capitalist for several companies operating in the TMT and digital sectors. From 2011 to 2013, he was non-executive Director and member of Prelios' Nomination and Remuneration Committee. From 2012 to 2014, Giorgio was Primi sui Motori's Advisor and non-executive Director. This company is listed on the Milan stock exchange and provides Digital Marketing & Advertising B2B corporate services. He was also non-executive Director of the Argenta Group, one of Italy's leading companies in the vending industry. Between 2014 and 2017, he was non-executive Director and member of Telecom Italia's Risk and Control Committee and Nomination and Remuneration Committee. Currently he also holds the office of independent director in the Boards of Directors of Banca MPS, SPAC ALP.I. S.p.A. and the Issuer.

#### ***4.2.1 Diversity policies***

The Company applies diversity policies, also in terms of gender, to the composition of the Board of Directors with a view to ensuring adequate expertise and professionalism among its members.

As already mentioned in section 4.1, on appointment and replacement of the members of the Board of Directors, the Bylaws provide for lists with no less than three candidates to include candidates of both genders, so that the less represented gender is at least one-third (rounded up) of the candidates. Lists for which the above requirements are not satisfied will be deemed not submitted.

Implementing these policies, the percentage of women, the less represented gender in the Board of Directors, is currently equal to 44%.

With regard to the composition of the Board of Directors, the multiplicity of professional and managerial competencies, also at the international level, is achieved in compliance with the recommendations of the Corporate Governance Code and is assessed every year as part of the self-assessment activity. Note, in fact, that the Board of Directors of MZBG includes different professional profiles and competencies, ranging from experts in the reference industrial sector to experts in the economic and financial sectors, and other professional experts.

The average age of the members of the Board of Directors fell and, in the current composition, ranges from a maximum of 71 to a minimum of 41 years.

Without prejudice to the above, based on the Company's current size and corporate structure, at present, no other specific diversity policies governing the composition of management and administrative bodies are in place.

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

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

In its resolution dated 22 February 2019, having received the favourable opinion of the Nominating and Remuneration Committee, the Board of Directors confirmed the appropriateness of the Guidelines.

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

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

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

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

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

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

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

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

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

#### **4.2.3 Induction programme**

After the renewal of the administration and control bodies of the Company in April 2017, the Chairperson implemented a specific induction programme as per the recommendations set out in article 2.C.2 of the Corporate Governance Code. The aim of the programme is to provide the Company's directors and statutory auditors with adequate knowledge of the Issuer's field of activity, the operations and their development, sound risk management principles and the reference self-regulatory and legislative framework. Specifically, the induction programme entailed a one-day workshop on governance, internal audit and risk management system,

mission, values and strategy of the Group, products and production cycle, marketing, patents and licences, operational and market background, main geographical areas, for the SCIGR Director, the General Manager, the CFO (who was subsequently appointed as member of the Board of Directors), the managers with strategic responsibilities, the Board of Statutory Auditors, the independent directors, the Manager in charge of the preparation of corporate accounting documents, the Supervisory Board, the head of Internal Audit and the Signing Partner of the independent auditors. For the sake of completeness, we report that during the Financial Year in-depth information sessions were held in regard to the changes concerning the updates to the Market Abuse Procedure adopted by the Company.

#### **4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to Art. 123-bis, paragraph 2, letter d) Consolidated Law on Finance)**

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

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

During the Financial Year, the Board of Directors met 9 times (25 January 2018, 23 February 2018, 28 February 2018, 9 April 2018, 10 May 2018, 18 June 2018, 8 August 2018, 11 October 2018, 8 November 2018), with an average meeting duration of approximately 1 hour and 15 minutes.

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

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

In the current financial year about 7 meetings of the Board of Directors are planned, three of which (including the one in which this Report was approved) have already been held.

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

Transmission of documents to the directors and statutory auditors is supervised by the Legal and Corporate Affairs department, which takes care of it in accordance with applicable regulations, in coordination with the Chairperson sufficiently in advance of the meeting date, taking due account of any confidentiality and price sensitivity requirements related to any topics (such as projects of particular strategic importance to the business of the Company and/or Group, regarding which the Chief Executive Officer reports directly to the board meetings thereby starting the subsequent process of examination and peer review) and the possible urgency of certain topics. The documentation is always described in depth, for the most complex issues, during Board meetings.

As a practice, a minimum of 3 days' notice before the Board meeting has been deemed adequate for the sending of the documentation. Notice was given on average 5 days before the date set for the Board meeting.

Meetings of the Board of Directors are also attended by the Chief Financial Officer, in the person of Leonardo Rossi. Attendance at the meeting, at the invitation of the Chairperson, may be extended to senior executives with strategic responsibility, as well as to other senior Company and Group executives responsible for the functions relevant to the issues from time

to time dealt with by the Board, so that they can provide the most appropriate insights and clarifications during meetings to the Directors and Statutory Auditors.

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

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

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

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

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

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

- (i) the adoption of the corporate governance rules of the Company and the definition of the corporate governance guidelines of the Group;
- (ii) the approval and monitoring of the adequacy of the general organisational, administrative and accounting structure of the Company and the subsidiaries with strategic importance, with particular reference to the internal audit system and the management of conflicts of interest;
- (iii) the granting and revocation of powers to managing directors, by defining the limits and conditions of exercise thereof; the definition also of the periodicity, at the most once per quarter, with which delegated bodies must report to the Board on the activities performed in the exercise of their respective powers;
- (iv) the definition, based on the proposals of the Nominating and Remuneration Committee, of the remuneration policy of the Company pursuant to art. 123-ter of the Consolidated Law on Finance;
- (v) the determination, having examined the proposals of the Nominating and Remuneration Committee and after consultation with the Board of Statutory Auditors, of the remuneration of the managing directors and Directors holding particular offices and, if the Shareholders' Meeting has not already done so, the allocation of the overall remuneration payable to Board members;
- (vi) the evaluation of the general operating performance of the company, by taking into particular account the information received from delegated bodies and by comparing, periodically, planned and achieved results;



- (vii) the examination and prior approval of transactions of the Company and its subsidiaries when such transactions have a significant impact on the strategy, profitability, assets or financial position of the Company, by paying particular attention to situations where one or more Directors hold an interest on their own behalf or on behalf of third parties;
- (viii) the establishment and appointment of the Nominating and Remuneration Committee, the Audit and Risk Committee, the Related Parties Committee, as well as any additional internal advisory and propositional committees;
- (ix) the appointment and revocation of the manager in charge of the preparation of corporate accounting documents in accordance with the law and the Bylaws;
- (x) the approval of internal procedures and organisational safeguards as provided for by applicable laws and regulations and as recommended by the Corporate Governance Code (including, by way of non-exhaustive examples, the procedure for transactions with related parties, the internal procedure for management and maintenance of the insider register and the processing of confidential information, and the procedure on internal dealing);
- (xi) the approval of transactions with related parties, where the Company and/or companies of the MZB Group are parties, pursuant to the laws and regulations from time to time in force, as well as of procedures regarding transactions with related parties from time to time adopted by the Company, with the exception of transactions with related parties having a minimum value based on the parameters identified in said procedures;
- (xii) the assumption, modification and termination of contractual relationships with executives and key managers, in both cases that report directly to the Chief Executive Officer;
- (xiii) the approval of single transactions for an amount exceeding € 1,000,000 for the purchase and/or sale of controlling stakes in companies or other legal entities, businesses/business units and/or immovable property;
- (xiv) corporate reorganisation transactions having a significant impact on the Group, as a whole;
- (xv) the approval of stock option plans and incentive plans generally, pursuant to the laws and regulations from time to time in force and in compliance with the remuneration policy adopted by the Company;
- (xvi) the preparation, examination and approval of the budgets and the strategic, business and financial plans of the Company and the Group;
- (xvii) any act of disposal or acquisition relating to patents, trademarks, distinctive marks, copyrights or other intellectual property rights;
- (xviii) the execution of consulting agreements (including consulting agreements for advertising, publicity and sales promotion), the total amount of which exceeds € 500,000 per year each, or whose duration exceeds 36 months irrespective of the amount;
- (xix) the issue of guarantees within an overall maximum amount greater than € 1,000,000 for each financial year.

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

At the meeting of 31 January 2019, the Board of Directors of MZBG positively evaluated the adequacy of the organisational, administrative and accounting structure and in particular the internal audit and risk management systems of the Company, as better described in paragraph 11 below.

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

In compliance with the recommendations set out in art. 1.C.1, letter e) of the Corporate Governance Code and the provisions of art. 19.3 of the Bylaws, the Chief Executive Officer has reported to the Board of Directors and the Board of Statutory Auditors on the general operating performance of the Company, at the meetings of the Board of Directors held on 10 May 2018, 8 August 2018 and 8 November 2018. The Board of Directors has therefore evaluated and monitored the general operating performance of the Company, taking into account the information provided by the Chief Executive Officer and periodically comparing results achieved with those planned on the basis of the strategic, industrial and financial plans of the Company and the Group.

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

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

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

In accordance with the recommendation set out in art. 1.C.1, letter g) of the Corporate Governance Code, the Board of Directors in its meeting on 22 February 2019 carried out the evaluation of the operation of the Board itself, the Nominating and Remuneration Committee, the Audit and Risk Committee and the Related Parties Committee, as well as of their size and composition, taking into account the professional characteristics, managerial experience, gender and seniority of the members (so called board evaluation).

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

The answers and considerations of the Directors in response to the questionnaire were analysed by the Nominating and Remuneration Committee and then submitted anonymously and on an aggregate basis to the Board of Directors at its meeting of 22 February 2019, after which the Board, unanimously, has positively evaluated the operation thereof and of the Nominating and Remuneration Committee, the Audit and Risk Committee and the Related Parties Committee, as well as their respective size and composition.

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

The MZBG Shareholders' Meeting has not authorised on a general and advanced basis, derogation from non-compete provisions provided for by article 2390 of the Civil Code. At the

Report Date, there have been no cases that have required an evaluation of the Board on the application of the derogation.

#### **4.4 DELEGATED BODIES**

##### ***4.4.1 Managing Directors***

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

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

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

\* \* \* \* \*

By resolution dated 13 April 2017, the Board of Directors of MZBG has appointed Massimo Zanetti as Chief Executive Officer of the Company and granted him the functions, responsibilities and powers specified hereunder.

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

- within the scope of the powers granted and in accordance with the general guidelines that the Board of Directors may decide to adopt from time to time, ensure that the organisational, administrative and accounting structures of the Company and the Group are suitable for the nature and size of the relevant business;
- promote, co-ordinate and supervise the management of the Company and of the Group;
- develop industrial, financial, and organisational strategic plans for the Company and the Group, and submit them to the competent corporate bodies for the relevant evaluations and determinations;
- at least on a quarterly basis, report to the Board of Directors and the Board of Statutory Auditors on the activities carried out in exercising the functions and powers conferred to him, on the Company's general performance and on the foreseeable evolution thereof, on current operations, as well as on most significant transactions for size and characteristics carried out by the Company or its subsidiaries, with a particular focus on those that are atypical, unusual or with Related Parties;
- draw up all company matters for the purpose of the resolutions to be adopted by the Board of Directors and ensures execution of such resolutions by the General Manager;
- set up, chair and co-ordinate intragroup operational committees and request to the corporate bodies or to the management of the subsidiaries to check all such useful data or information as it is appropriate or necessary for better carrying out his functions;
- co-ordinate and supervise the activities of the General Manager in relation to personnel policy by determining the guidelines that the latter must conform with in managing human resources and by supervising implementation thereof;

- supervise the correct functioning of the corporate governance rules, in order to report to the Board of Directors that is exclusively responsible for the definition of a system of corporate governance;
- manage and co-ordinate activities related to national and international external relations with institutions, authorities, third party bodies and individuals, the press, the media, trade associations and the scientific community;
- manage and coordinate relations with the market, the financial community and shareholders and investors.

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

A. Strategic Management:

- (i) approve transactions for the purchase and/or sale of controlling stakes in companies or other legal entities, business/business units and/or immovable property, having a value, for each transaction, not exceeding € 1,000,000;
- (ii) carry out corporate restructuring transactions not having a significantly impact on the Company or the Group belonging to the Company, as a whole;
- (iii) implement the following strategic business initiatives:
  - (a) (business) development in geographic areas other than those where the Company and the Group have a traditional presence;
  - (b) launch of new products;
- (iv) make investments and/or disinvestments up to € 1,000,000;
- (v) issue guarantees not exceeding the overall maximum amount of € 1,000,000 for each financial year.

B. Marketing and Promotional Activities:

- (i) oversee marketing and promotional activities, including signing and terminating consulting agreements with Agencies or other entities relating to advertising, propaganda and sales promotion, each for an overall amount that does not exceed € 500,000 per annum, or for contractual terms that do not exceed 36 months irrespective of the relevant amount value.

C. Consulting:

- (i) commission consulting services to third parties, each for overall amounts not exceeding € 500,000 per annum or for a term not exceeding 36 months irrespective of the relevant amount, establish and pay the applicable fees and issue receipts within the limits established herein.

D. Intellectual Property, Authorisations and Licenses:

- (i) undertake all necessary or useful actions as may be required to apply for, obtain and maintain patents, sign all necessary instruments for the formalisation of granted powers, appoint patent agents in Italy and abroad to this end and provide them with the applicable mandates;
- (ii) perform all actions and operations as required with public authorities, public and private entities and offices in Italy and abroad for obtaining concessions, licences and all types of authorisations, stipulate and sign regulations, conventions, deeds of submission or any other precursory deed as required for such purposes; fulfil all applicable requirements including those related to tax laws, tax on production and consumption (excise duties), revenue and monopoly duties;
- (iii) submit applications and carry out with any public or private office in Italy and abroad any action as may be necessary, precursory, functional or in any case related to the process of registration, modification, maintenance or deletion of trademarks, designs and domain names;
- (iv) commission and revoke professional consulting services in relation to intellectual property for the purpose of carrying out the procedures that are required in relation to the registration and renewal of all intellectual property rights of the Company, such as by way of example, trademarks, patents, designs and domain names, each for an overall amount not exceeding € 500,000 per annum or for a term not exceeding 36 months irrespective of the relevant amount;
- (v) appoint and revoke consultants and lawyers in relation to the protection of intellectual property in an administrative and judicial context and in all legal proceedings where the Company may be involved as plaintiff or defendant in Italy or abroad for all of the Company's intellectual property rights;

E. Human Resources:

- (i) sign, amend and terminate individual work contracts for key managers, and other managers, who do not report directly to the Chief Executive Officer, also for the purpose of implementing the remuneration policy approved by the Board of Directors;
- (ii) manage the human resources policy of the Company, also for the purpose of implementing the remuneration policy approved by the Board of Directors, provide the guidelines for the human resources policy, define and ensure adequate motivation, training, remuneration and development;
- (iii) provide guidelines to the Nominating and Remuneration Committee in relation to the remuneration of managers with strategic responsibilities;

F. Representation:

- (i) sign all correspondence and any other document that needs to be signed by the Company;
- (ii) represent the Company with any ordinary or special judicial, administrative or fiscal authority for all proceedings at all levels of judgement in any venue, including arbitration bodies, with the authority to undersign petitions, appeals, settlements pursuant to Legislative Decree No. 218/1997, applications for

exemptions and reimbursements, minutes and other written documents addressing any matter, lodging or seconding any sort of civil, criminal, fiscal or administrative proceedings, including inquisitorial and executive proceedings, promissory note proceedings, initiation of civil proceedings and also bankruptcy, composition, moratorium and administration proceedings, performing all related formalities and therefore including the granting of special powers of attorney and special mandates to attorneys in fact and lawyers, elect domicile, appoint and revoke mediators;

- (iii) settle by arbitration, even amicably, any dispute whatsoever involving the Company, nominate and revoke arbitrators; propose, undersign both in-court and out-of-court settlements, minutes of settlement pursuant to Article 48 of Legislative Decree No. 546/1992 within the limit of liability for the Company of € 500,000 for each dispute;
- (iv) represent the Company in any tax dispute with any tax authority or office including commissions for the determination of levies, duty, cadastral revenue and expert panels;
- (v) represent the Company in Italy and abroad in its relationship with competent public authorities and bodies, private and public offices, banks and financial institutions and investors;
- (vi) represent the Company with trade unions and trade and sector associations and consortia in general.

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

#### **4.4.2 *Chairperson of the Board of Directors***

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

The Chairperson of the Board of Directors, appointed by resolution of the Shareholders' Meeting on 11 April 2017, is Massimo Zanetti who is also the Chief Executive Officer with the powers described in the foregoing paragraph. He therefore holds most of the responsibility in relation to the management of the Company, also in consideration of his strategic role in relation to key decisions related to the development and management of the Company and the Group.

The Chairperson of the Board of Directors, Massimo Zanetti, through the direct subsidiary Massimo Zanetti Industries S.A., also exercises legal control over MZBG pursuant to Article 93 of the Consolidated Law on Finance (TUF).

In light of the fact that the roles of Chairperson of the Board of Directors, Chief Executive Officer and controlling Shareholder are concentrated in Massimo Zanetti, on 13 April 2017, the Board of Directors designated the independent director, Mara Vanzetta, as lead independent director in line with the recommendations of Articles 2.C.4 and 2.C.5 of the Corporate Governance Code (see Paragraph 4.7 below).

Pursuant to Article 21.1 of the Bylaws, legal representation of the Company and Company signatory powers are vested with the Chairperson and, in the event of absence or impediment, with the vice-Chairperson, where appointed. Legal representation is also vested with the managing directors, where appointed, within their own duties.

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

#### **4.4.3 *Executive Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)***

No Executive Committee was set up at the Report Date.

#### **4.4.4 *Information to the Board of Directors***

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

For more details about the information provided by the Chief Executive Officer to the Board of Directors during the Financial Year, see paragraph 4.3.

### **4.5 OTHER EXECUTIVE DIRECTORS**

In addition to the Chairperson and Chief Executive Officer, the director Leonardo Rossi is to be deemed Executive Directors. Specifically Leonardo Rossi, in his position as director, acts as SCIGR Director (with the functions described in detail in paragraph 10.1 below) and in his capacity as senior executive of the Company, acts as Chief Financial Officer of MZBG (with the functions and the powers described below).

Leonardo Rossi is responsible for the administrative, financial and accounting planning and management of the Company and the Group (Chief Financial Officer); in compliance with the resolutions of the Board of Directors and as directed by the Chief Executive Officer, the Chief Financial Officer shall:

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

Leonardo Rossi, as Chief Financial Officer, shall have the powers identified below that can be exercised by single signature including the power of sub-delegation to Company's employees

or third-party attorneys, coordinating such powers with the powers that are reserved exclusively to the Board of Directors and without prejudice to the powers granted to the Chief Executive Officer:

- A. Banking and Financial Transactions - Collection, disposal and payments
- (i) open and close any type of current account with any bank, financial institution or post office and carry out treasury management transactions;
  - (ii) issue invoices, debit and credit notes, make deposits into the Company's current accounts both in cash and by cheque;
  - (iii) endorse, negotiate, recall, receipt and cash cheques and promissory notes made out in the name of the Company or transferred to the Company, dispose of the relative amount deposited in Company's current accounts, have them protested;
  - (iv) request and take delivery of cheques for use on the Company's bank accounts;
  - (v) make transfers between different accounts of the Company and collect payments on behalf of and for the benefit of the Company;
  - (vi) deposit for custody or administration purposes and withdraw, issuing a withdrawal receipt, securities, instruments, valuables in general with/from authorised intermediaries and banks;
  - (vii) issue bank cheques, promissory notes, draw or accept bills of exchange, request banker's drafts within the limits of the Company's overdraft facility and in any case within the limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
  - (viii) request advances against whichever form of credit, within the limits of the Company's overdraft facility, negotiating terms and conditions;
  - (ix) within the limits of the Company's overdraft facility, request and negotiate terms and conditions for: (a) advances against contracts signed by the Company and/or against the concession of documentary credit in favour of the Company; (b) financing for importation and/or opening of documentary credit; (c) short term financing;
  - (x) order partial or total transfers or withdrawals from the Company's bank accounts within the limits of the Company's overdraft facility and in any case within the limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
  - (xi) sign "foreign currency declarations" in accordance with the applicable currency exchange regulations;
  - (xii) activate night safe and safe deposit box services;
  - (xiii) assign receivables, sign lease and factoring contracts and execute all related transactions within the limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
  - (xiv) fulfil all of the Company's payment obligations deriving from existing financing contracts at the applicable expiry dates;
  - (xv) demand and collect any amount that is owed to the Company for any reason by whomsoever, by carrying out all actions that are necessary for such purpose,



depositing the collected funds in the Company's bank accounts and issuing the relative receipts;

- (xvi) take out loans or other forms of financial debt and make payments in a single transaction or a series of linked transactions within the limits of the Company's overdraft facility and in any case up to an amount of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xvii) grant loans up to a limit of € 300,000 per single transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xviii) grant guarantees, pledges and mortgages on assets that form part of the Company's assets up to a limit of € 300,000 per transaction or, in the case of transactions with related parties, € 150,000 per transaction;
- (xix) issue and undersign requests of notices, information, other documents, statements and certificates as may be requested by public authorities, private and public bodies, banks and financial institutions;
- (xx) constitute and retrieve security deposits held by Ministries, Public Debt Offices, Cassa Depositi (Italian Deposit Fund), Tax Offices, Customs, municipal, provincial and regional authorities and any other public body or office up to a limit of € 300,000 per single transaction;

#### B. Taxes and Duty

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

- C. Consulting services
- (i) commission consulting services to third parties, each for overall amounts not exceeding € 300,000 per annum or for a term not exceeding 24 months irrespective of the relevant amount;
  - (ii) establish and pay the applicable fees and receive receipts within the limits established herein.
- D. Contracts for the purchase and sale of goods and services, commercial contracts in general
- (i) purchase or sell, including through continuous or periodic contracts, exchange, import and export any type of products or services related to the Company's business and management, setting the prices, the terms and conditions, and signing the related deeds and contracts and granting, where applicable, discounts and deferments;
  - (ii) purchase movable products, by making offers at public auctions, including through nominees;
  - (iii) purchase, exchange, sell, contribute vehicles, taking all the necessary steps with the relevant Public Register and any other competent authority;
  - (iv) enter into and sign supply contracts for any type of utility;
  - (v) enter into advisory, marketing and sponsorship contracts; sign confidentiality agreements;
  - (vi) appoint and remove representatives, depositories, agents or commission agents, setting or modifying their powers and remuneration.

The above powers may be exercised with single signature up to a limit of € 300,000 per single transaction or, in the case of transactions with related parties, € 150,000 per transaction.

E. Powers of Authorisation

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

F. Representation

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

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

## 4.6 INDEPENDENT DIRECTORS

In accordance with the recommendations of Article 3 of the Corporate Governance Code and the provisions of Article 13.4 of the Bylaws, described in the foregoing Paragraph 4.1, 3 (three) independent directors are members of the Board at the date of this Report, i.e., Mara Vanzetta, Sabrina Delle Curti and Giorgio Valerio, who also fulfil the independence requirements jointly provided by Paragraph 4 of Article 147-ter and Paragraph 3 of Article 148 of the Consolidated Law on Finance (TUF).

The Company deems that an adequate number of independent directors has thus been set, also for the purpose of setting up the Committees described in the following Paragraphs 7, 10 and 12.

In its Meeting of 13 April 2017, the Board of Directors ascertained that the newly-appointed Directors Mara Vanzetta, Sabrina Delle Curti and Giorgio Valerio fulfilled the independence requirements as jointly provided by Paragraph 4 of Article 147-ter and Paragraph 3 of Article 148 of the TUF, in addition to the requirements of Article 3 of the Corporate Governance Code.

The independent directors are identified as such because:

- (i) they do not control, directly or indirectly, the Issuer also through subsidiaries, trustees or third parties and are not able to exercise a dominant influence over the Issuer nor are parties to a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the Issuer;
- (ii) they are not and were not in the preceding three fiscal years, a significant representative of the Issuer, of a subsidiary having strategic relevance or of a company under common control with the Issuer, or of a company or entity controlling the Issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
- (iii) they do not and did not have in the preceding fiscal year, directly or indirectly, a significant commercial, financial or professional relationship (a) with the Issuer, one of its subsidiaries, or any of its significant representatives, (b) with a subject who, also jointly with others through a shareholders' agreement, controls the Issuer, or – in case of a company or an entity – with the relevant significant representatives; they are not and were not in the preceding three fiscal years, employees of the above-mentioned subjects;
- (iv) they do not and did not receive in the preceding three fiscal years, from the Issuer or a subsidiary or holding company of the Issuer, a significant remuneration in addition to the "fixed" fee of non-executive director of the Issuer, and to the remuneration for being member of Board Committees including the participation in incentive plans linked to the company's performance, including stock option plans;
- (v) they have not been directors of the Issuer for more than nine years in the last twelve years;
- (vi) they have not vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
- (vii) they are not shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the Issuer;
- (viii) they are not close relatives of a person who is in any of the positions listed in the above paragraphs.

On 22 February 2019, the Board carried out the annual check that each independent director met the above requirements, as per the recommendations set out in articles 3.C.1 and 3.C.2 of the Corporate Governance Code. To this end, only the assessment parameters provided in the Corporate Governance Code and the Consolidated Law on Finance were used and no quantitative and/or qualitative criteria were used to assess the significance of the relationships under assessment.

In its meeting of 22 February 2019, the Board of Statutory Auditors ascertained correct application of the criteria and assessment procedures used by the Board of Directors to assess the independence of its members.

Finally, the Directors Mara Vanzetta, Sabrina Delle Curti and Giorgio Valerio, in their declarations attesting possession of the requirements for their appointment, indicated that they were eligible to qualify as independent and, simultaneously, committed to promptly notify the Board of Directors and the Board of Statutory Auditors of any changes relating to the fulfilment of such requirements, including their independence requirements and of any other circumstance that could disqualify them from holding their offices.

The Independent Directors, in compliance with the recommendations made in art. 3.C.6 of the Corporate Governance Code, met, in absence of the other directors, on 24 January 2019. The considerations expressed during this meeting were reported to the Board of Directors at the meeting held on 31 January 2019.

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

As stated in the foregoing Paragraph 4.4.2, in light of the fact that the roles of Chairperson of the Board of Directors, Chief Executive Officer and controlling Shareholder of MZBG are concentrated in Massimo Zanetti, and notwithstanding centrality of the role and powers of the Board of Directors in the governance of the Company which adequately counterbalance the concentration of roles conferred upon Massimo Zanetti, on 13 April 2017 the Board of Directors of the Company designated the independent director Mara Vanzetta as lead independent director in line with the recommendations of Article 2.C.4 of the Corporate Governance Code, with the following duties as recommended in Article 2.C.5 of the Code:

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

## 5. PROCESSING OF COMPANY INFORMATION

The Board of Directors on 15 July 2014 adopted the "Internal procedure for the management and processing of inside information and the public disclosure of documents and information concerning Massimo Zanetti Beverage Group S.p.A. and its subsidiaries" ("**Inside Information Procedure**"), which governs the handling and processing of confidential information and the rules for the external communication of documents and information regarding the Group, with particular reference to Inside Information as defined by Article 7 of Regulation (EU) no. 596 of 16 April 2014 on market abuse ("**MAR**") ("**Inside Information**"). The Inside Information Procedure, which is effective as of the Date of the Application for Admission to Trading, i.e. 7 August 2014, was later supplemented by the Board of Directors' resolutions of 27 January 2016 and 12 July 2016.

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

- (i) the procedure for setting up, managing and updating the register of persons having access to inside information, established by the Board of Directors on the same date, in accordance with the legal and regulatory provisions in force from time to time governing access to inside information, contained in the TUF, MAR, Implementing Regulation 347/2016/EU and the Code (the "**Insider Register Procedure**").

The Insider Register Procedure, which is effective as of the Date of the Application for Admission to Trading, i.e. 7 August 2014, was supplemented by the Board of Directors' resolutions of 27 January 2016 and 12 July 2016.

- (ii) the procedure for managing reporting obligations deriving from the current legal and regulatory provisions on internal dealing pursuant to Article 114.7 of the TUF and Articles 152-sexies to 152-octies of the CONSOB Issuer Regulation, MAR, and Regulation 523/2016 intended to regulate the transparency of the transactions involving the Issuer's shares and related financial instruments carried out by "relevant parties" and their "persons closely associated". The procedure governs reporting obligations, limitations and prohibitions with a view to ensuring information symmetry vis-à-vis the market and the utmost transparency with respect to the transactions involving the Company's shares carried out by the above parties based on their access to Inside Information related to the Company and its subsidiaries (the "**Internal Dealing Procedure**").

The Internal Dealing Procedure, which is effective as of the Date of Commencement of Trading, i.e. 3 June 2015, was supplemented by the Board of Directors' resolutions of 27 January 2016 and 12 July 2016.

In line with the highest standards of governance, the members of the Board of Directors, the Board of Statutory Auditors as well as the "relevant parties" and the "persons closely associated" identified as per the internal dealing procedure are prohibited from buying, selling and exchanging MZBG ordinary shares and the related financial instruments identified in accordance with the internal dealing procedure during the so-called black-out periods, equal to 30 (thirty) days prior to the disclosure to the public of the final or pre-actual financial figures of the period.

As a result of later additions and amendments related to the reference legal and regulatory provisions, including the publication by CONSOB in October 2017 of the "*Guidelines on the Management of Inside Information No. 1/2017*", the Company, with the support of an external consultant, has resolved to revise the procedures previously adopted by the Board of Directors on management, processing and dissemination of inside information, establishing and updating of the insider register and internal dealing.

On 9 April 2018, the Company has therefore adopted a new procedure, known as "Market Abuse Procedure", which consolidates in a single document, with the necessary changes, the three pre-existing procedures – Inside Information Procedure, Insider Register Procedure and Internal Dealing Procedure – together with a fourth procedure related to market sounding. Afterwards, merely formal changes were made to ensure the compliance of the text with the provisions of Regulation (EU) 2016/679, of which the Board of Directors was informed at the meeting of 8 August 2018.

As a result, inter alia, of the coming into force of Legislative Decree No. 107 of 10 August 2018, which amends the Italian legislative provisions to transpose the MAR provisions, the Company, with the support of an external consultant, made an additional revision to the Market Abuse Procedure approved by the Board of Directors on 9 April 2018. On 8 November 2018, the Company approved the Market Abuse Procedure in the version currently in force, which incorporates this revision.

The text of the Market Abuse Procedure is available on the Company's website at the address [www.mzb-group.com](http://www.mzb-group.com) under the section "*IR/Corporate Governance/Corporate Documents*", to which reference should be made for additional information.

**6. BOARD COMMITTEES (pursuant to article 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)**

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

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

The Company's Board of Directors updated the regulations of the Nominating and Remuneration Committee and the Audit and Risk Committee by the resolutions of 27 January 2016, 9 November 2017 and 31 January 2019, and the regulation of the Related Parties Committee by the resolutions of 27 January 2016, 25 January 2018 and 31 January 2019.

In accordance with the aforementioned recommendations of the Code, the internal regulations of the Nominating and Remuneration Committee and of the Audit and Risk Committee provide that each committee be composed of three non-executive directors, the majority independent. Note that the internal regulations of the Related Parties Committee provide for this to include exclusively three independent directors.

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

## **7. NOMINATING AND REMUNERATION COMMITTEE**

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

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

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

At the Report Date, the Nominating and Remuneration Committee was made up of the following 3 Independent Directors: Giorgio Valerio, Mara Vanzetta and Sabrina Delle Curti.

The activities of the Nominating and Remuneration Committee are coordinated by the Chairperson Giorgio Valerio.

At the time of her appointment the Board has assessed that the Director Mara Vanzetta possessed adequate knowledge and experience in the field of accounting and finance.

During the Financial Year, the Nominating and Remuneration Committee met on 4 occasions, with an average meeting duration of approximately one hour. The actual participation of each member in the meetings of the Nominating and Remuneration Committee is shown in **Table 2** in the Appendix.

It is expected that there will be 4 meetings in 2019 of which 2 have already been held.

The meetings of the Nominating and Remuneration Committee were attended, on the invitation of the Chairperson of the Committee, by parties other than its members, without voting rights and in regard to individual items on the agenda: member(s) of the Board of Directors, Company Managers and external consultants and, as provided for in the Committee Regulations, the Chairperson of the Board of Statutory Auditors and other members of the Board of Statutory Auditors.

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

The Nominating and Remuneration Committee has the task of assisting the Board of Directors with proactive and consultative functions of investigation, in the evaluations and decisions relating to the composition of the Board of Directors and remuneration of directors and managers with strategic responsibilities.

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

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



general criteria, differentiated on the basis on the commitment related to each role (executive, non-executive or independent director), in relation also to the nature and size of the companies in which the positions are held and whether they are part of the group of the Company;

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

(B) As regards remuneration:

- (i) submit proposals to the Board of Directors for the definition of a policy for the remuneration of Directors and managers with strategic responsibilities;
- (ii) periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard;
- (iii) submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.

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

The Nominating and Remuneration Committee meetings shall be called by the Chairperson or upon written request of even a single member.

The Nominating and Remuneration Committee, upon proposal of the Chairperson, may appoint a Secretary for each meeting, who need not be one of its members. The Secretary assists the Nominating and Remuneration Committee in the performance of its duties.

The Chairperson of the Board of Statutory Auditors, or another statutory auditor designated by this, should also participate in the Nominating and Remuneration Committee meetings; other members of the Board of Statutory Auditors may in any case participate.

The Chairperson of the Nominating and Remuneration Committee can invite one or more members of the Board of Directors, managers of the independent auditors and/or any other collaborator, and/or consultant and/or employee of the Company or any of its subsidiaries, to participate in Committee meetings in relation to one or more items on the agenda and in all cases without voting right.

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

The meetings of the Nominating and Remuneration Committee are registered in minutes which are signed by the Chairperson and the Secretary to the meeting (if appointed) and are kept by the Legal and Corporate Affairs function in chronological order and a copy of which is sent to the Nominating and Remuneration Committee members and the standing Statutory Auditors. The minutes of the Nominating and Remuneration Committee meetings can be reviewed, on request, by the Directors except in the case considered in the previous paragraph. The Chairperson of the Nominating and Remuneration Committee reports to the Board of Directors on the activities carried out during the next Board meeting to be held.

In carrying out its duties, the Nominating and Remuneration Committee may have access to any information or other corporate function as required for the fulfilment of its duties and may avail itself of one or more consultants or independent experts, provided that such external consultants are not in situations that compromise their independent judgement and are not simultaneously providing to the HR Department, to Directors or to managers with strategic responsibilities services, the relevance of which is such that it may compromise their independent judgement. In addition, in carrying out its duties, the Nominating and Remuneration Committee ensures suitable functional and operational links with the relevant corporate structures.

The Nominating and Remuneration Committee prepares an annual report at 31 December, which is submitted to the Board of Directors by the date of approval of the draft financial statements. Where necessary the Chairperson of the Nominating and Remuneration Committee also reports to the Shareholders in their meeting called to approve the financial statements on the tasks carried out by the Committee.

The Nominating and Remuneration Committee reported to the Board of Directors on its activities during the Financial Year at the Board meetings held on 22 February 2019 and 28 February 2019. Specifically, during the Financial Year, the Nominating and Remuneration Committee mainly focused i) on the issues that mostly characterise the remuneration policy and ii) the medium-term incentive plan mechanism for executive directors and managers with strategic responsibilities, expressing a favourable opinion on the 2018-2020 incentive plan; and (iii) on the appointment pursuant to art. 2386 of the Civil Code.

The Committee submits an expense budget once a year to the Board of Directors no later than the date of approval of the draft annual financial statements. By resolution of 22 February 2019, the Board of Directors, upon proposal of the Nominating and Remuneration Committee, assigned to the Committee an expense budget amounting to € 15,000 for the performance of its activities in 2019.

8. (OMISSIS)<sup>1</sup>

9. **REMUNERATION OF DIRECTORS**

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

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<sup>1</sup> As indicated in paragraph 7 above, in consideration of the organisational needs of the Company, its operating procedures and the size of its Board of Directors, the Company has established a single nominating and remuneration committee, in accordance with Articles 4, 5 and 6 of the Corporate Governance Code.

## **10. AUDIT AND RISK COMMITTEE**

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

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

At the Report Date, the Audit and Risk Committee was made up of the following 3 Independent Directors: Mara Vanzetta, Sabrina Delle Curti and Giorgio Valerio.

The activities of the Audit and Risk Committee are coordinated by the Chairperson Mara Vanzetta.

At the time of her appointment, the Board has assessed that the Director Mara Vanzetta possessed adequate knowledge and experience in the field of accounting, finance and risk management.

During the Financial Year, the Audit and Risk Committee met on 5 occasions, with an average meeting duration of approximately one and a quarter hour. The actual participation of each member in the meetings of the Audit and Risk Committee is shown in **Table 2** in the Appendix.

It is expected that there will be 6 meetings in 2019 of which 3 have already been held.

The meetings of the Audit and Risk Committee were attended, on the invitation of the Chairperson of the Committee, by parties other than its members, without voting rights and in regard to individual items on the agenda: member(s) of the Board of Directors, Company Managers, managers of the Independent Auditors, the Head of the Company's Internal Audit Function, external consultants and, as provided for in the Committee Regulations, the Chairperson of the Board of Statutory Auditors and other members of the Board of Statutory Auditors.

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

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

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

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

- (d) the description in the Report on Corporate Governance of the main characteristics of the Internal Audit and Risk Management System, and the way in which the individuals involved are coordinated, expressing its own assessment of its adequacy;
- (e) the assessment, after consultation with the Board of Statutory Auditors, of the conclusions expressed by the Independent Auditors in the letter of suggestions and in the report on the fundamental issues identified during the audit; and
- (f) the assessment, also as to the merits, of the adequacy of the structure and the operating performance.

The Audit and Risk Committee, expressing its favourable opinion, assists the Board of Directors in the appointment and dismissal of the Head of the Internal Audit Function, to ensure that this is given sufficient resources to perform his/her responsibilities and to define his/her remuneration in line with the company's policies.

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

- (i) assess, together with the Manager in charge of the preparation of corporate accounting documents, after consultation with the Independent Auditors and the Board of Statutory Auditors, the correct application of the accounting policies and their consistency for the purpose of drawing up the consolidated financial statements;
- (ii) express opinions on specific aspects related to the identification of the main company risks;
- (iii) examine the periodical reports on the assessment of the internal audit and risk management system as well as those of particular relevance prepared by the Internal Audit function;
- (iv) monitor the autonomy, the adequacy, the efficiency and the effectiveness of the Internal Audit function;
- (v) request the Internal Audit function to carry out checks on specific operative areas, notifying at the same time the Chairperson of the Board of Statutory Auditors;
- (vi) report, through the Chairperson of the Audit and Risk Committee, to the Board of Directors at least once every six months, on the approval of the annual financial statements (in a written report as at 31 December of each year) and interim financial statements, on the activities carried out and the adequacy of the internal audit and risk management system;
- (vii) support, with adequate preliminary work, the assessments and the decisions of the Board of Directors in relation to the management of risk deriving from prejudicial facts or circumstances of which the Board of Directors has become aware;
- (viii) assess any information that may be reported by the SCIGR Director in relation to problems and critical issues pertaining to the internal audit and risk management system of the Company and undertake the appropriate measures.

The Audit and Risk Committee meets regularly, as often as necessary to carry out its activities, usually on the meeting dates as set in the annual meeting schedule approved by the Audit and Risk Committee itself. In any case, the Audit and Risk Committee always meets before the meeting of the Board of Directors called to resolve on the approval of the draft financial statements, as well as on the interim financial statements and on the quarterly / interim reports.

The meetings of the Audit and Risk Committee shall be called by the Chairperson or upon written request of even a single member.

The Audit and Risk Committee, upon proposal of the Chairperson, may appoint a Secretary for each meeting, who need not be one of its members. The Secretary assists the Audit and Risk Committee in the performance of its duties.

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

The meetings of the Audit and Risk Committee are registered in minutes which are signed by the Chairperson and the Secretary to the meeting (if appointed) and are kept by the Legal and Corporate Affairs function in chronological order and a copy of which is sent to the Audit and Risk Committee members and the standing Statutory Auditors. The minutes of the meetings of the Audit and Risk Committee are available on the Directors' request. The Chairperson of the Audit and Risk Committee reports to the Board of Directors on the activities carried out during the next Board meeting to be held.

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

The Audit and Risk Committee reported to the Board of Directors on its activities of the year at the Board meetings held on 8 August 2018 and 31 January 2019 and on the adequacy of the internal audit and risk management system at the Board meeting held on 31 January 2019. In particular, during the Financial Year, the activities of the Audit and Risk Committee focused on:

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

The Committee submits an expense budget once a year to the Board of Directors no later than the date of approval of the draft annual financial statements. By resolution of 31 January 2019 the Board of Directors, upon proposal of the Audit and Risk Committee, assigned to the Committee an expense budget amounting to € 15,000 for the performance of its activities in 2019.

## 11. THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

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

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

- the Board of Directors that defines the guidelines and assesses the adequacy of the Internal Audit and Risk Management System;
- the Audit and Risk Committee with the tasks, described in the preceding Paragraph 9, with appropriate supporting activities, the assessments and the decisions of the Board of Directors relating to the Internal Audit and Risk Management System, and the decisions relating to the approval of the periodical financial reports;
- the SCIGR Director, Leonardo Rossi, with the tasks, specified in detail in paragraph 11.1 below, related to the set-up and maintenance of an effective Internal Audit and Risk Management System;
- the Head of Internal Audit, Gerardo Diamanti, with the task of checking that the Internal Audit and Risk Management System is working and that it is adequate, in accordance with the duties that are described in detail in paragraph 11.2;
- the Board of Statutory Auditors, acting also as Internal Audit and Audit Committee, that monitors the effectiveness of the Internal Audit and Risk Management System.

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

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

In line with these goals, the risk management model that the Company has implemented has the objective of defining, on a reasonable basis, intervention priorities, taking into account the size of the Company and the Group and the business priorities in order to reduce residual risk to an acceptable level.

The MZBG Risk Management model is in addition:

- extended to all types of potentially significant risk;
- focused on risks that are most relevant depending on their potential to jeopardise the attainment of strategic objectives or adversely affect strategic corporate assets;
- based on a quantitative approach, i.e. based, wherever possible, on a specific measurement of risks impact on the expected financial and business results on the basis of their likelihood of occurrence;

- integrated in the business and decision-making processes and, in particular, in the strategic operational planning process and in the investment projects.

On 31 January 2019, the Board of Directors, upon proposal of the SCIGR Director, and having received a favourable opinion from the Audit and Risk Committee and the Board of Statutory Auditors, approved the document (entitled "Risk Assessment 2019") that identifies the main business risks (the "risk assessment" phase), describes the activities and the controls that are set up as a safeguard against each risk and assesses each risk (the "risk management" phase).

MZBG Risk Assessment 2019 takes into account four macro-categories of risk that enable the management to identify the objectives, the control model and the management tools:

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

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

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

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

The SCIGR Director shall have, inter alia, the duty to:

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

With reference to the outcome of the activities that were carried out, the SCIGR Director and the Audit and Risk Committee, have highlighted, to the extent of their



responsibility, that the current internal audit and risk management system is adequate to the size and the operating and organisational structure of the Group.

As part of the foregoing document entitled "Risk Assessment 2019", on 31 January 2019, the Company's Board of Directors, having acknowledged the opinion of the Audit and Risk Committee and the SCIGR Director, concluded that the internal audit system is substantially adequate, by highlighting the system's ability to mitigate each of the risks described above.

Again, on 22 February 2019, the Board of Directors, after consultation with the Board of Statutory Auditors and the SCIGR Director, approved the 2019 work plan drawn up by the Head of the Internal Audit.

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

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

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

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

The administrative and accounting procedures for drawing up the financial statements and any other financial report are established by the manager in charge of the preparation of corporate accounting documents who, together with the Chairperson of the Board of Directors, certify the adequacy and actual application of such procedures at the time of the approval of the separate and consolidated financial statements and the interim financial statements.

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

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

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

### Phase 1: Risk Assessment

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

The process described above was conducted by MZBG's manager in charge of the preparation of corporate accounting documents for the purpose of determining the scope of "relevant" companies in terms of potential impact on corporate reporting, financial statements items and disclosures that are significant for such purpose and the associated company processes.

### Phase 2: Identification of controls for the identified risks

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

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

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

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

When carrying out the above activities, the manager in charge of the preparation of corporate accounting documents will consider, on a case by case basis, the involvement of the heads of the corporate functions and subsidiary representatives as he may deem necessary.

Furthermore, on a half-yearly basis, the manager in charge of the preparation of corporate accounting documents prepares a summary report with the results of the assessment of the controls for the previously identified risks on the basis of the monitoring activities that were carried out. Once the summary report has been shared with the Chief Executive Officer, it is delivered to the Board of Statutory Auditors of MZBG, the Audit and Risk Committee and the Board of Directors.

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

The internal audit and risk management system of the financial reporting process is coordinated and managed by the manager in charge of the preparation of corporate accounting documents in accordance with the applicable laws and the Bylaws.

The manager in charge of the preparation of corporate accounting documents avails himself of the Internal Audit function to carry out checks on the operation of the control system, and he is supported by function heads who, according to their area of responsibility, ensure a comprehensive and reliable flow of information for the purpose of preparing financial documentation.

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

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

At the end of all the activities and controls, the manager in charge of the preparation of corporate accounting documents issues the declarations and certifications provided for in Article 154-bis of the Consolidated Law on Finance (TUF). In particular, pursuant to:

- (i) Article 154-bis, paragraph 2 of the Consolidated Law on Finance, acts and communications of MZBG, addressed to the market and related to accounting information, including those issued during the year, shall be accompanied by a written declaration of the manager in charge of the preparation of corporate accounting documents attesting to the consistency thereof with documentary evidence and the accounting books and records;
- (ii) Article 154-bis, paragraph 5 of the Consolidated Law on Finance, with reference to the financial statements, condensed interim financial statements and the consolidated financial statements, the manager in charge of the preparation of corporate accounting documents and the Chief Executive Officer shall issue a report for the purpose of attesting to:
  - a) the adequacy and the actual application of administrative and accounting procedures during the period covered by the documents;
  - b) the fact that the documents are drawn up in accordance with international accounting standards recognised by the European Union as per regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002;
  - c) the fact that the documents are consistent with the results of accounting books and records;
  - d) the suitability of the documents to provide a true and fair representation of the balance sheets, profit and loss account and financial position of the Issuer and all the subsidiaries included in the scope of consolidation;

- e) the fact that, as far as the separate financial statements and the consolidated financial statements are concerned, the report on operations includes a reliable analysis of the performance trend, the result of operations and the situation of the Issuer together with the subsidiaries included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed;
- f) the fact that, as far as the condensed interim financial statements are concerned, the report on operations contains a reliable analysis of information required by Article 154-ter, paragraph 4 of the Consolidated Law on Finance (TUF).

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

In order to support the internal audit and risk management system, on 13 April 2017, the Company's Board of Directors appointed Massimo Mambelli as SCIGR Director, thus implementing the recommendations contained in Articles 7.P.3(a) and 7.C.4 of the Corporate Governance Code. Afterwards, the powers previously granted to Massimo Mambelli having been waived, the Board of Directors, with resolution of 18 June 2018, appointed Leonardo Rossi to be the new SCIGR Director.

As part of his duties, as described in paragraph 10 above, during the year and in the first few months of 2019, the SCIGR Director, assisted by the managers in charge of the different areas of reference:

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

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

At the Report Date, in carrying out his duties, the SCIGR Director did not identify, nor had he knowledge of, any critical issues that needed to be immediately reported to the Audit and Risk Committee and to the Board of Directors.

### **11.2 HEAD OF THE INTERNAL AUDIT FUNCTION**

On 15 July 2014, the Board of Directors appointed Gerardo Diamanti (currently partner of DS Advisory S.r.l.), who met the necessary professionalism, independence and organisation requirements, as the Head of the Internal Audit function, thus complying with the recommendations set forth in Articles 7.P.3(b) and 7.C.5 of the Corporate Governance Code.

At the Report Date, the Head of the Internal Audit function, who has no relationship with the Company and is not in charge of any operational area, reported directly to the Board of Directors and, as part of his duties, ensured the provision of the necessary information to the SCIGR Director, the Board of Statutory Auditors and the Audit and Risk Committee. On 15 October

2018, a new resource was formally hired within the Company to support the Head of the Internal Audit function in the performance of all the activities that characterise such function.

In its resolution of 22 February 2019, the Board of Directors, upon proposal of the SCIGR Director, and having received a favourable opinion from the Audit and Risk Committee and after consultation with the Board of Statutory Auditors- in order to provide the Internal Audit Function with the resources necessary to fulfil its tasks - assigned this function an expense budget for 2019 of 130,000.

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

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

The Head of the Internal Audit function reported on his activities during the year to the Board of Directors, to the Board of Statutory Auditors, to the Audit and Risk Committee and to the SCIGR Director in his report dated 21 January 2019.

### **11.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001**

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

The Model was subsequently supplemented by resolutions of the Company's Board of Directors dated 28 August 2015, 8 March 2016 and 8 August 2017. Changes have been made since to align the Model to the provisions of i) Law No. 179, 30 November 2017 (Provisions for the protection of persons disclosing crimes or irregularities of which they became aware as part of a public or private working relationship), which amended art. 6 of Legislative Decree No. 231, 8 June 2001 (Persons in top management positions and organisational models of the entity); and ii) the Market Abuse Procedure, presented to the Board of Directors at the meeting held on 8 August 2018.

The MZBG Model consists of two parts.

The first is a general part which sets out the goals, the addressees, the governance system and the components of the preventive control system of the Model and, in line with the requirements contained in Legislative Decree 231/2001, the structure, duties and powers of the Supervisory

Board, which, in accordance with Article 6 of Legislative Decree 231/2001, has the task of monitoring the implementation of, and the compliance with, the Model, and criteria to report unlawful practices.

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

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

The Model, on the basis of the results of the risk mapping conducted in view of its adoption, is intended to prevent the categories of crimes indicated in the following articles of Legislative Decree no. 231/2001:

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

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

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

At the Report Date, the Supervisory Board was comprised of a sole individual in the person of Barbara Stramignoni.

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

The Supervisory Board reported to the Board of Directors on its activity carried out during the Financial Year in a report dated 22 February 2019.

The boards of directors of the Italian subsidiaries Segafredo Zanetti S.p.A., Segafredo Zanetti Coffee System S.p.A. and La San Marco S.p.A., by resolutions dated 13 November 2015, 25 November 2015 and 26 November 2015, respectively, approved the adoption of their organisational and management models in accordance with Legislative Decree No. 231 of 8 June 2011, which are similar in nature to the model adopted by MZBG, and proceeded to appoint their own Supervisory Board. Segafredo Zanetti S.p.A. and La San Marco subsequently updated their Organisational Model on 21 June 2016 and 20 November 2017 and on 6 June 2016 and 12 October 2017, respectively.

#### **11.4 INDEPENDENT AUDITORS**

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

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

On 25 January 2018, the Board of Directors, in compliance with Article 154-bis of the Consolidated Law on Finance and with the requirements set forth in Article 19.4 of the Bylaws, having received the favourable opinion of the Board of Statutory Auditors, appointed Leonardo Rossi as Manager in charge of the preparation of corporate accounting documents.

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

Without prejudice to point 11 above, in accordance with the laws in force, the Manager in charge of the preparation of corporate accounting documents is entrusted to:

- (i) lay down appropriate administrative and accounting procedures for drawing up separate and consolidated financial statements, as well as any other financial communications;
- (ii) issue written statements certifying that Company acts and communications released to the market concerning the Company's accounting information (including interim information) are consistent with the documentary evidences, and accounting books and records;
- (iii) provide, together with the Chief Executive Officer, the statements pursuant to Article 154-bis.5 of the Consolidated Law on Finance, by way of a report issued according to the model established under the CONSOB regulations, to be attached to the separate financial statements, the condensed interim financial statements and the consolidated financial statements;

- (iv) participate in meetings of the Company's Board of Directors where the agenda includes examination of the Company's economic/financial data;
- (v) report without delay to the Chief Executive Officer and the Board of Directors, including through the Audit and Risk Committee, any significant aspects which he considers to be incorrect and which must therefore be declared in the statements pursuant to Article 154-bis of Legislative Decree 58/1998;
- (vi) issue twice-yearly reports to the Board of Directors, to the Audit and Risk Committee and to the Board of Statutory Auditors on the activities carried out.

At the time of his appointment, the Board attributed to the Manager in charge of the preparation of corporate accounting documents all powers and resources needed to carry out the duties attributed to him under the laws in force and the Bylaws, including direct access to all functions, offices and information necessary for the production and checking of accounting, financial and economic data, without the need for any additional authorisation.

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

#### **11.6 COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

During the year, MZBG introduced specific coordination mechanisms among the parties involved in the internal audit and risk management system. In particular, the Company has provided for regular meetings, involving the Internal Audit and Risk Committee, the Board of Statutory Auditors, the Manager in charge of the preparation of corporate accounting documents, the Head of the Internal Audit Function, the SCIGR Director, the Supervisory Board and the Independent Auditors ("**Coordination Meetings**").

During the Financial Year, one Coordination Meeting was held on 14 June 2018, involving the Internal Audit and Risk Committee, the Board of Statutory Auditors, the Manager in charge of the preparation of corporate accounting documents, the Head of the Internal Audit Function, the SCIGR Director, the Supervisory Board and the Independent Auditors.

During these meetings, the managers of the parties involved in internal audit system illustrated the content of their reports for the Financial Year and the outcome of the activities carried out, as well as the areas for improvement and the follow-up mechanisms.



## 12. INTERESTS OF DIRECTORS AND RELATED PARTY TRANSACTIONS

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

The Board of Directors approved the "Procedure for Related Party Transactions" pursuant to article 2391-bis of the Civil Code and the Regulations on Related Party Transactions as per the resolution of 15 July 2014 and, later on, the resolutions of 27 February 2015, 28 August 2015 and 18 June 2018 ("**RPT Procedure**").

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

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

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

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

Until the Shareholders' Meeting held on 10 April 2018, the Company availed itself of the waiver allowed by article 10 of the Regulations on Related Party Transactions, as it is a recently-listed company. Therefore, the approval of related party transactions of greater significance was made in accordance with the procedure laid down for the approval of related party transactions of lesser importance.

Being about to lose the status of "recently-listed company", the Company, with the support of external consultants, has revised the RPT Procedure, in order to regulate in detail the process of approval of transactions of greater significance. The changes made to the RPT Procedure were approved by the Board of Directors, with the favourable opinion of the Related Parties Committee, on 18 June 2018.

Without prejudice to the disclosure obligations provided for by the law and the RPT Procedure, related party transactions must be approved by the body responsible for the adoption of the decision pursuant to the law and the Bylaws, after obtaining the favourable opinion on the appropriateness and substantive correctness of the conditions relating to the transaction, expressed by the Related Parties Committee.

The Related Parties Committee, established by resolution of the Board of Directors on 13 April 2017, is composed of the following three independent directors: Mara Vanzetta, Sabrina Delle Curti and Giorgio Valerio.

The activities of the Related Parties Committee are coordinated by the Chairperson Mara Vanzetta.

During the Financial Year, the Related Parties Committee met on 6 occasions, with an average meeting duration of approximately one and a quarter hour. The actual participation of each member in Related Parties Committee meetings is shown in **Table 2** in the Appendix.

At least 4 meetings are expected in 2019 of which 1 has already been held.

The meetings of the Related Parties Committee were also attended, on the invitation of the Chairperson of the Committee, by the Chairperson of the Board of Statutory Auditors or other members of the Board of Statutory Auditors, the Chief Financial Officer, the Manager in charge of the preparation of corporate accounting documents, the Head of the Internal Audit function and one or more external consultants.

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

The Related Parties Committee shall, in particular:

- (a) analyse the content of the RPT procedure prepared by the Company, assessing the legal compliance thereof and the adequacy thereof to the management complexity of the Company;
- (b) express and convey to the Board of Directors a reasoned binding opinion setting out the results of the assessment referred to in point (a) on the approval and on the changes of the RPT Procedure, as well as on the proposals to be submitted to the Shareholders' Meeting of the Company on any change in the Bylaws believed to be necessary by the Board of Directors in the context of the definition of the RPT Procedure;
- (c) support the relevant corporate functions in the preliminary checks related to the identification of related parties and transactions with related parties pursuant to the RPT Procedure and the laws and regulations in force at the time;
- (d) with regard to transactions of lesser significance to be carried out by the Company with a related party:
  - (i) evaluate the Company's interest in implementing the proposed transaction;
  - (ii) evaluate the appropriateness and substantive correctness of the conditions of the proposed transaction;
  - (iii) express and convey to the Board of Directors a reasoned, non-binding opinion that explains the outcomes of the evaluations referred to in points (i) and (ii) above, in accordance with the RPT Procedure adopted by the Company and from time to time in force;
- (e) with regard to transactions of greater significance to be implemented by the Company with a related party, in addition to the activities described in paragraph (d), points (i) and (ii):

- (i) is involved in the negotiation stage and scrutiny stage through deliver of a complete and timely information flow;
- (ii) has the right to request information and make observations to the delegated bodies and the persons in charge of conducting the negotiations and/or scrutiny; and
- (iii) express and convey to the Board of Directors a reasoned, binding opinion on the Company's interest in the completion of the transaction and on the appropriateness and substantive correctness of the related conditions, in accordance with the RPT Procedure adopted by the Company and from time to time in force.

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

In carrying out its duties, the Related Parties Committee may have access to any information or other corporate function as required for the fulfilment of its duties and may avail itself of one or more external consultants and experts of its choice (with recognised professionalism and expertise on the topics of interest, whose independence and absence of conflicts of interest must be established), also by obtaining appraisals and/or fairness and/or legal opinions.

The Related Parties Committee submits an expense budget once a year to the Board of Directors not later than the date of approval of the draft annual financial statements. By resolution dated 31 January 2019, the Board of Directors, upon proposal of the Related Parties Committee, has assigned to the Committee an expense budget for the performance of the Committee's activities in 2019 of € 15,000.

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

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

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

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

Lists with three or more candidates must contain candidates of both genders, so that the less represented gender in the list is at least one-third (rounded up) of the standing auditor candidates and at least one-third (rounded up) of the alternate auditor candidates.

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

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

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

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

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

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

The statutory auditors are elected as follows:

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

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

In the event that the eligibility requirements prescribed by the law and the Bylaws fail to remain in place, the auditor ceases his office.

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

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

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

If the application of these procedures, for whatever reason, does not allow the replacement of the auditors designated by the minority, the Shareholders' Meeting shall proceed by way of relative majority vote, upon submission of candidates by shareholders who, alone or together with others, hold shares with voting rights that account for at least the percentage indicated above in relation to the procedure for submission of lists; however, in determining the results of such vote, no account will be taken of the votes of shareholders who, on the basis of the communications made pursuant to the applicable laws, hold, even indirectly or jointly with other shareholders party to a shareholders' agreement relevant for the purposes of art. 122 of Consolidated Law on Finance, a relative majority of votes in the Shareholders' Meeting, as well as of shareholders who control, are controlled by or are under the common control of the same.

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

Resigning auditors may be re-elected.

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

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (Art. 123-bis, paragraph 2, letters d) and d-bis) of the Consolidated Law on Finance)**

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

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

The Board of Statutory Auditors in office at the Report Date was appointed by the ordinary Shareholders' Meeting of 11 April 2017. During this meeting, only the list of the majority shareholder, Massimo Zanetti Industries S.A., which owned 68.0465% of the Company's shares on that date, was submitted. The list was posted and is still available for consultation on the [www.mzb-group.com](http://www.mzb-group.com) website, together with the documents required by the Bylaws.

The candidates of the list, who are those of the current Board of Statutory Auditors (see below), have been appointed with the favourable vote of 100% of the share capital present at the shareholders' meeting.

The Board of Statutory Auditors shall remain in office until approval of the 2019 financial statements.

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

Name and surname	Office
Fabio Facchini	Chairperson and Standing Auditor
Simona Gnudi	Standing Auditor
Franco Squizzato	Standing Auditor
Cristina Mirri	Alternate Auditor
Alberto Piombo	Alternate Auditor

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

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

**Fabio Facchini** - Born in Rimini in 1955, graduated in Business and Economics from the University of Bologna in 1977, enrolled in the Register of Chartered Accountants since 1978 and in the Auditors' Register since 1995.

From 1988 to 2015, Fabio held the position of partner with the independent auditors PricewaterhouseCoopers, where he also acted as member of the Executive Committee and head of the Milan office. He participated in the audit of major listed Italian groups and of subsidiaries of leading international multinational groups. From 2008 to 2017, he was a permanent professor at the Economics department of the "Università Cattolica del Sacro Cuore" of Milan, as well as at the Pavia University (2015). Fabio is a member of the Board of Statutory Auditors of listed and unlisted companies, operating in industrial and commercial sectors. He is a standing auditor and Chairperson of the Board of Statutory Auditors of the Issuer.

**Simona Gnudi** - Born in Bentivoglio (Bologna) on 26 May 1971, graduated in Business and Economics from the University of Bologna in 1996, enrolled in the Bologna Register of Chartered Accountants since 2000 and in the Auditors' Register since 2002. She is specialised in consulting services in corporate and tax matter, extraordinary corporate transactions and valuation of companies. Simona has been expert witness appointed by one of the parties (CTP) and court-appointed expert witness (CTU) in proceedings involving industrial and commercial companies. She sits on the Board of Statutory Auditors, both as a standing auditor and as Chairperson, also acting as auditor in listed and unlisted joint-stock companies, cooperatives, consortia, foundations and public sector bodies, in particular in the North of Italy. She is a member of the Supervisory Board, pursuant to Legislative Decree 231/2001, of different companies and cooperatives. She has spoken at conferences organised for companies and non-profit organisations, in particular on financial statements, accounting standards and tax issues. She is a standing auditor of the Issuer.

**Franco Squizzato** - Born in Castelfranco Veneto (Treviso) on 21 October 1956, graduated in Business and Economics from the University of Venice in 1985, enrolled in the Treviso

Register of Chartered Accountants since 1988 and in the Auditors' Register. He has long experience as an auditor, both as Chairperson of the Board of Statutory Auditors and as standing auditor at some important industrial and commercial companies in Northern Italy. He also holds several judicial positions, in the Court of Treviso and the Court of Vicenza, as bankruptcy trustee, official receiver, technical advisor to the judge and expert for the estimation of contributions and assets in kind pursuant to art. 2343 of the Civil Code. He is a standing auditor of the Issuer.

**Cristina Mirri** - Born in Imola (Bologna) on 22 January 1971, graduated in Business and Economics from the University of Bologna in 1996, enrolled in the Bologna Register of Chartered Accountants since 2000 and in the Auditors' Register at the Ministry of the Economy and Finance since 2002. Tax consultant in the entertainment, publishing and cinema production sectors, technical consultant for leading banking groups, Cristina has been a member of the Study and Control Commission of Public Bodies with the Bologna Register of Chartered Accountants. She is an alternate auditor of the Issuer.

**Alberto Piombo** - Born in Bologna on 1 April 1969, graduated in Business and Economics from the University of Bologna in 1995, enrolled in the Bologna Register of Chartered Accountants since 1998, in the Auditors' Register since 1999 and in the Register of Local bodies' Auditors. Alberto acts as standing auditor, also performing legally-required audits, of leading industrial companies, controlled by US groups. He is also a corporate, legal, administrative, accounting and tax consultant. He is an alternate auditor of the Issuer.

\* \* \* \* \*

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

At its meeting on 13 April 2017, the Board of Statutory Auditors positively verified the independence of its members on the basis of the criteria provided for by art. 3 and art. 8 of the Corporate Governance Code. The Statutory Auditors have attested, by way of specific statements, (i) the absence of reasons of ineligibility, disqualification and incompatibility, (ii) possession of all the requirements of integrity, independence and professional expertise required by the law and the Bylaws for the office of Statutory Auditor of MZBG as a listed company; (iii) that they do not hold offices as director and auditor to an extent equal to or greater than the limits established by the laws in force; and (iv) that they undertake to promptly notify the Company and, for it, the Board of Directors and the other members of the Board of Statutory Auditors, of any changes affecting the aforesaid statements and of any supervening disqualifying circumstances. The Board of Directors disclosed the outcome of these assessments to the public in the relevant press release dated 13 April 2017.

At its meeting of 25 July 2018, the Board of Statutory Auditors positively verified maintenance of the independence requirements of its members on the basis of the criteria provided for by art. 3 and art. 8 of the Corporate Governance Code.

As regards the remuneration paid in the Financial Year to the members of the Board of Statutory Auditors, in any capacity and in any form, reference is made to section 2 of the Remuneration Report published in accordance with art. 123-ter of the Consolidated Law on Finance, available on the MZBG [www.mzb-group.com](http://www.mzb-group.com) website in the section "IR/Shareholders".

During the year, the Board of Statutory Auditors met 6 times, with an average meeting duration of approximately two hours. The actual participation of each Statutory Auditor in meetings of the Board of Statutory Auditors during the Financial Year is shown in **Table 3** in the Appendix.

During the current year, 6 Board of Statutory Auditors' meetings are expected, of which 3 have already been held.

As regards the initiatives promoted by the Chairperson of the Board of Directors aimed at giving Statutory Auditors an adequate knowledge of the Issuer's field of activity, the business dynamics and their development, the principles of good risk management and the relevant legislative and self-regulatory framework, reference is made to paragraph 4.2 above.

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

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

#### ***Diversity policies***

The Company applies diversity policies, also in terms of gender, to the composition of the Board of Statutory Auditors.

As already mentioned in section 13, on appointment and replacement of the members of the Board of Statutory Auditors, the Bylaws provide for lists with no less than three candidates to include candidates of both genders, so that the less represented gender is at least one-third (rounded up) of the candidates. Lists for which the above requirements are not satisfied will be deemed not submitted.

Implementing these policies, the percentage of women, the less represented gender in the Board of Statutory Auditors, is currently equal to 40%.

Without prejudice to the above, based on the Company's current size and corporate structure, at present, no other specific diversity policies governing the composition of supervisory bodies are in place.

#### ***Self-Assessment of the Board of Statutory Auditors***

In compliance with rule Q.1.1. of the "Rules of conduct of the board of statutory auditors of listed companies" issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (April 2018), the Board of Statutory Auditors of the Company carried out an internal self-assessment process, reviewing the ability of members to meet the eligibility requirements on an ongoing basis and its own correct and effective operation.

For these purposes, the Board of Statutory Auditors carried out preliminary and assessment activities.

The preliminary activities of the Board of Statutory Auditors included the request of information and data concerning qualitative and quantitative aspects and aspects concerning the operation of the body.



The self-assessment process was recorded by the Board of Statutory Auditors and its outcome was formalised in a special document (Self-assessment Report), delivered and put on record at the meeting of the Board of Directors held on 22 February 2019.

## **15. RELATIONS WITH SHAREHOLDERS**

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

To this end, the Company's Board of Directors, adhering to the recommendations set out in article 11 of the Corporate Governance Code, appointed Marina Cargnello as the Investor Relator by way of resolution adopted on 23 February 2018.

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

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

Contact details of the Investor Relator are as follows:

Marina Cargnello

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

Viale Gian Giacomo Felissent, 53  
31020 Villorba - Treviso

Tel: +39 0422 312 611

Tel: +39 0422 312 692

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

## **16. SHAREHOLDERS' MEETINGS (pursuant to article 123-bis, paragraph 2, letter c) of the Consolidated Law on Finance)**

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

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

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

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

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

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

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

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

The Shareholders' Meeting is chaired by the Chairperson of the Board of Directors or, in his absence or impediment, by the Vice Chairperson or the Chief Executive Officer, if appointed and present; in their absence the Shareholders' Meeting elects the Chairperson.

Shareholders' Meetings are governed by the specific Shareholders' Meeting Regulations which were approved by ordinary Shareholders' Meeting resolution of 15 July 2014 and are effective from the Date of Commencement of Trading.

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

Those who have the right to vote and the common representative of bondholders may ask for the floor on the topics under discussion only once, making comments and asking for information. Vote right-holders may also make proposals. In order to ensure orderly conduct of the Shareholders' Meeting, the Chairperson has the right to determine, at the beginning or during the discussion of individual topics, a term for the submission of requests for intervention.

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

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

During the Financial Year, the shareholders met once in an ordinary meeting called on 10 April 2018 to approve the financial statements of MZBG at 31 December 2017, the allocation of the profit for the year, dividend distribution to the shareholders and the remuneration policy as per the first section of the remuneration report pursuant to article 123-ter of the TUF. Besides the

Chairperson of the Board of Directors, Massimo Zanetti, who was the chair, the Shareholders' Meeting was attended, for the Board of Directors, by Massimo Mambelli and, for the Board of Statutory Auditors, the Chairperson Fabio Facchini.

On 28 February 2019, the Board of Directors resolved to call the ordinary Shareholders' Meeting in single call to resolve on the items of the agenda of the notice of call available on the Issuer's website at [www.mzb-group.com](http://www.mzb-group.com) in the section "*IR/Shareholders*".

During the Financial Year, there were no significant changes in the Company's shareholding structure. The market capitalisation went from € 253.8 million at the beginning of the Financial Year to € 197.2 at year end.

**17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2a) of the Consolidated Law on Finance)**

No additional corporate governance practices are applicable.

**18. CHANGES SINCE THE END OF THE FINANCIAL YEAR**

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

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

During the Financial Year, there have been no changes in the Company's Corporate Governance structure.

**19. NOTES ON THE LETTER OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE DATED 21 DECEMBER 2018**

During the Board's meeting of 31 January 2019, the Chairperson of the Board of Directors informed the Board and its committees of the recommendations made in the letter dated 21 December 2018 by the Chairperson of the Corporate Governance Committee (the "**Letter**").

The Chairperson of the Board of Directors of the Company commented that, overall, the governance system of the Company has been found to be adequate with respect to the recommendations made in the Letter and invited the directors and, in particular, the members of the committees, to ensure the ongoing monitoring of the effectiveness of this system and to propose actions aimed at its continuous improvement.

\* \* \*

Villorba (TV), 28 February 2019

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

For the Board of Directors

The Chairperson and Chief Executive Officer Massimo Zanetti

**TABLE 1: INFORMATION ON CORPORATE STRUCTURES**

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

<b>Other Financial Instruments (that give the right to subscribe newly issued shares)</b>				
	<b>Listed (indicate markets)/unlisted</b>	<b>No. of outstanding instruments</b>	<b>Category of shares for conversion/exercise</b>	<b>No. of shares for conversion/exercise</b>
<b>Convertible bonds</b>	-	-	-	-
<b>Warrants</b>	-	-	-	-

<b>Significant shareholdings</b>			
<b>Declarant</b>	<b>Direct Shareholder</b>	<b>% of ordinary share capital</b>	<b>% of voting share capital</b>
Massimo Zanetti	Massimo Zanetti Industries S.A.	68.047	68.047

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

Office	Member	Birth Year	Date of first Appointment *	In office as of	In office until	List **	Exec utive	Non-executive	Indep. Code	Indep. TUF	No. of other offices ***	BoD	Audit and Risk Committee		Nominating and Remuneration Committee		Related Parties Committee	
												(*)	(*)	(**)	(*)	(**)	(*)	(*)
<b>Chairperson and Chief Executive Officer</b> ◊	Zanetti Massimo	1948	1980	15.07.2014	SHM to approve fs 2019	n/a	X				0	9/9	n/a	n/a	n/a	n/a	n/a	n/a
n/a	Zanetti Matteo	1977	2000	15.07.2014	SHM to approve fs 2019	n/a		X			0	7/9	n/a	n/a	n/a	n/a	n/a	n/a
<b>Director</b>	Zanetti Laura	1974	2000	15.07.2014	SHM to approve fs 2019	n/a		X			0	2/9	n/a	n/a	n/a	n/a	n/a	n/a
<b>Director</b>	Mambelli Massimo	1957	16.04.2014	15.07.2014	SHM to approve fs 2019	n/a		X <sup>2</sup>			0	8/9	n/a	n/a	n/a	n/a	n/a	n/a
<b>Director</b> •	Leonardo Rossi	1972	18.06.2018	18.06.2018	SHM to approve fs 2018	n/a	X				0	4/4	n/a	n/a	n/a	n/a	n/a	n/a
<b>Director</b>	Arbona Palmeiro Goncalves Braga Pimenta Maria Pilar	1969	15.07.2014	15.07.2014	SHM to approve fs 2019	n/a		X			0	9/9	n/a	n/a	n/a	n/a	n/a	n/a
<b>Director</b> ◦	Mara Vanzetta	1967	11.04.2017	11.04.2017	SHM to approve fs 2019	M		X	X	X	0	9/9	5/5	P	3/4	M	6/6	P
<b>Director</b>	Giorgio Valerio	1966	11.04.2017	11.04.2017	SHM to approve fs 2019	M		X	X	X	2	9/9	5/5	M	4/4	P	6/6	M
<b>Director</b>	Sabrina Delle Curti	1975	11.04.2017	11.04.2017	SHM to approve fs 2019	M		X	X	X	1	5/9	4/5	M	2/4	M	4/6	M
-----DIRECTORS CEASED DURING THE REFERENCE FINANCIAL YEAR-----																		
<b>Director</b>	Quier Lawrence	1964	15.07.2014	15.07.2014	Resigned on 18.06.2018	n/a	X				0	4/5	n/a	n/a	n/a	n/a	n/a	n/a
<b>No. of meetings held during the reference financial year:</b> 9						Audit and Risk Committee: 5			Nominating and Remuneration Committee: 4			Related Parties Committee: 6						
<b>Quorum required for submission of lists by the minorities for the election of one or more members (pursuant to art 147-ter TUF):</b> 2.5% of the share capital																		

NOTES

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

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

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

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

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

\*\*\* In this column it is reported the number of offices as Director or Statutory Auditor of the person concerned in other companies listed in regulated markets, even non-Italian, financial corporations, banks, insurance companies or large companies.

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

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

<sup>2</sup> Non-Executive from 18 June 2018.

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

Board of Statutory Auditors									
Office	Member	Birth Year	Date of first Appointment *	In office as of	In office until	List **	Indep. Code	Attendance to Board of Statutory Auditors meetings ***	No. of other offices ****
Chairperson and Standing Auditor	Fabio Facchini	1955	11.04.2017	11.04.2017	SHM to approve fs 2019	M	X	6/6	12
Standing Auditor	Simona Gnudi	1971	11.04.2017	11.04.2017	SHM to approve fs 2019	M	X	6/6	11
Standing Auditor	Franco Squizzato	1956	11.04.2017	11.04.2017	SHM to approve fs 2019	M	X	6/6	18
Alternate Auditor	Cristina Mirri	1971	11.04.2017	11.04.2017	SHM to approve fs 2019	M	X	-	n/a
Alternate Auditor	Alberto Piombo	1969	11.04.2017	11.04.2017	SHM to approve fs 2019	M	X	-	n/a
<b>No. of meetings held during the reference financial year: 6</b>									
<b>Quorum required for submission of lists by the minorities for the election of one or more members (pursuant to art 147-ter TUF): 2.5% of the share capital</b>									

## NOTES

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

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

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

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