

**Report on Corporate Governance and Ownership Structure
Year 2018**

Traditional administration and control model

Approved by the Board of Directors on March 6, 2019



This report on corporate governance and ownership structure (the "**Report**") describes the corporate governance system adopted by Italmobiliare S.p.A. ("**Italmobiliare**" or the "**Company**")

The Report contains information on the ownership structure and methods for applying the Corporate Governance Code for listed companies promoted by the Corporate Governance Committee (the "**Corporate Governance Code**" or the "**Code**," available on the Borsa Italiana website at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>), to which the Company adheres.

The Report also sets out the reasons for the non-application of those recommendations of the Code that the Company's Board of Directors (the "**Board of Directors**") decided not to adopt, describes the corporate governance practices actually applied and provides a description of the main characteristics of the internal control and risk management system adopted by Italmobiliare (the "**Internal Control and Risk Management System**" or "**ICRMS**"), also in relation to the financial and non-financial reporting processes.

The Report refers to the financial year ended on December 31, 2018 and is nevertheless updated with the most significant events that occurred up to the date of its approval.

1. GENERAL INFORMATION AND OWNERSHIP STRUCTURE

Issuer Profile

Founded in 1946 and listed on the Milan stock exchange since 1980, Italmobiliare is an investment holding that holds and manages a diversified investments and equities portfolio with a strategic vision backed by a financial and industrial history of over one hundred and fifty years. The Company plays an active and continuous role in the process of growing and enhancing its portfolio, combining development, internationalisation and innovation with an effective governance and risk management model.

Italmobiliare adopts a traditional governance model, characterised by the presence of a Board of Directors and a Board of Statutory Auditors ("**Board of Statutory Auditors**"), both appointed by the shareholders' meeting (the "**Shareholders' Meeting**"), deeming this corporate governance system the most suitable to combine "efficient management" with "effective controls" and at the same time to seek to satisfy the interests of Italmobiliare's shareholders (the "**Shareholders**") and enhance management value.

The Company's Corporate Governance system is defined not only by the Bylaws (the "**Bylaws**") but also by the set of the following documents, codes and internal regulations:

- a) the organisation, management and control model pursuant to Legislative Decree 231/2001 and the Ethics Code;
- b) the procedure for the management of relevant and inside information.
- c) the code of conduct on internal dealing;
- d) the related party transactions procedure
- e) the insider list procedure
- f) the market sounding procedure;
- g) the regulations of the manager in charge of preparing the company's financial reports ("**Manager in Charge**").

The texts of the above mentioned documents are available on the Company's website, except for: (i) the Regulations of the Manager in Charge, made available to the members of the Board of Directors (the "**Directors**" or "**Board Directors**") and the Board of Statutory Auditors (the "**Statutory Auditors**"), the Manager in Charge and the Heads of Finance, Administration and Control of the group companies headed by Italmobiliare (the "**Group**") through distribution in electronic format; and (ii) just the Special Section of the Organisation, Management and Control Model, made available to the Directors, Statutory Auditors and all employees of the Company electronically.

Information on the ownership structure pursuant to Art. 123-bis of the Consolidated Law on Finance (CLF)

a) Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented

The share capital of Italmobiliare amounts to euro 100,166,937, fully subscribed and paid in, divided into 47,633,800 ordinary shares without a nominal value, with the right to vote at the Company's ordinary and extraordinary Shareholders' Meeting. The shares are listed on the electronic share market (Mercato Telematico Azionario - MTA) – Borsa Italiana.

Each share gives entitlement to one vote. Holders of Italmobiliare shares may vote at the ordinary and extraordinary Shareholders' Meetings of the Company and exercise the corporate and equity rights attributed to them by current legislation, in compliance with the law and Bylaws. The Company has not currently issued savings shares nor other categories of shares other than ordinary shares.

As of today, there is no stock option plan in force. Moreover, on the basis of the plans approved in the past, served by treasury shares in the Company's portfolio, as of today there are 360,700 exercisable stock options.

b) Restrictions on share transfers

No restrictions exist on share transfers, such as limits to the possession of shares or acceptance clauses, by the Company or other shareholders.

c) Significant shareholders as disclosed pursuant to Article 120 of the CLF (Consolidated law on finance)

Below is a list of the Shareholders with major shareholdings above 3% of the share capital at the date on which the Report was approved, as per the communications received pursuant to art. 120 of the CLF and the other information in the possession of the Company.

RELEVANT SHAREHOLDINGS			
Shareholder	Number of shares	% of share capital	% of voting capital
Efiparind B.V. <i>(indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)</i>	20,969,250	44.022%	49.989%
Serfis S.p.A.	4,765,000	10.003%	11.359%
Mediobanca S.p.A.	2,894,044	6.076%	6.899%
First Eagle Investment Management, LLC	1,780,034	3.737%	4.243%

Italmobiliare S.p.A. (treasury shares)	5,685,870	11.937%	
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d) Shares that confer special control rights

No shares conferring special control rights have been issued.

There are no special powers and the Bylaws do not provide for shares with multiple or increased votes.

e) Employee shareholdings: mechanism for exercising voting rights

There is no specific shareholdings' system for employees.

f) Restrictions on voting rights

There are no restrictions on the exercise of voting rights.

g) Shareholders' agreements pursuant to Article 122 of the CLF, of which the company is aware

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights assigned to the shares and the transfer of such shares or any of the situations envisaged by Art. 122 of the CLF.

h) Change of control clauses and By-laws provisions on takeover bids

The Company and some of its subsidiaries have signed loan agreements which, according to normal business practice, grant the lender, should the control of the Company change, the right to withdraw from or terminate the loan agreement in advance, with the consequent power to demand the remaining financed capital and the interest accrued, or, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

The Bylaws, with regard to public tender offers, do not derogate from the provisions of the CLF in relation to the passivity rule or application of the neutralisation rules.

i) Authority to increase the share capital and authorizations to purchase treasury shares

There are no mandates for share capital increase.

The Shareholders' Meeting of April 18, 2018 resolved to authorise, pursuant to and for the purposes of art. 2357 of the Italian Civil Code, the purchase of ordinary shares of the Company, in one or more tranches, for a period of 18 months with effect from the date of the resolution, up to a maximum number that, taking account of the Italmobiliare S.p.A. treasury shares held on each occasion in the portfolio by the Company and by its subsidiaries, does not exceed the maximum number specified in the law applicable at the time, giving a mandate to the Board of Directors to identify the number of shares to be purchased before starting each of the individual purchase programmes.

At the date of this report the Company holds 5,685,870 treasury shares, acquired under the authorisations previously approved by the shareholders' meeting.

The Shareholders' Meeting convened on April 17, 2019 for the approval of the 2018 financial statements shall also resolve upon: the renewal of the authorisation to buy back and dispose of treasury shares; the cancellation of 5.133.800 treasury shares, with no reduction of the issued share capital.

l) Management and coordination activity

On the basis of the information and disclosures received from the Company pursuant to art. 120 of the CLF, Efiarind B.V. has an indirect stake in Italmobiliare of 44% of the voting share capital through the subsidiaries Cemital S.p.A., Privital S.p.A., Finanziaria Aureliana S.p.A. and through the nominee trust company Compagnia Fiduciaria Nazionale S.p.A.

On February 14, 2019 the Board of Directors assessed that neither Efiarind B.V. nor any other bodies or companies exercise direction and coordination over Italmobiliare pursuant to articles 2497-2497-septies of the Italian Civil Code. In fact:

(a) Italmobiliare does not receive from companies or bodies in the investment chain that leads to Efiarind BV any instructions, directives or constraints regarding the preparation or approval of business, financial or strategic plans, or regarding the approval of budgets or the definition of investment or divestment plans, or regarding the choice of counterparties with whom to perform its business activities;

(b) Italmobiliare is not part of any industrial or financial policy or practices performed under the direction or through the coordination of companies or bodies of the aforementioned investment chain, such as, by way of example, the sharing of financial or treasury functions (*cash pooling*), tax (tax consolidation) or similar functions;

(c) there is no trace of any contractual relations in place or that have been in place between the Company and other companies or bodies in its investment chain, nor with other companies or bodies subject to control by, or connected to, companies or bodies in the aforementioned investment chain;

(d) there is no trace of requests for prior approval, by companies or bodies included in the aforementioned investment chain, of ordinary or extraordinary transactions completed or the completion of which has been assessed by the Company;

(e) the Company has not received any policies, regulations or organisational charts from companies or bodies belonging to the aforementioned investment chain;

(f) there is no commonality of executive directors among companies or bodies belonging to the aforesaid investment chain and Italmobiliare; incidentally, the commonality of non-executive directors is reduced to one sole director out of the 14 making up the Board of Directors of Italmobiliare, Luca Minoli, who has not been conferred powers in Italmobiliare or in any of the three companies Cemital S.p.A., Privital S.p.A. and Finanziaria Aureliana S.p.A. on whose Boards of Directors he sits.

It is specified that the information required by article 123-bis, first subsection, letter i) on the agreements between the Company and the directors which provide for compensation in the case of resignation or dismissal without just cause or if their employment relationship is

terminated following a public tender offer are contained in the remuneration report published pursuant to art. 123-Ter of the CLF.

The information required by article 123-bis, first subsection, letter l) on the appointment and replacement of directors and the amendment of the Bylaws is outlined below, in the section on the Board of Directors in this Report.

II. BOARD OF DIRECTORS

Role and Duties

The Board of Directors has the task of defining the strategic guidelines of the Company and of the Group and is responsible for the management. It is vested with all the powers for the ordinary and extraordinary administration of the Company, since all matters not expressly reserved for the Shareholders' Meeting by law and the Bylaws fall under its remit.

In addition to the powers bestowed on it by law and the Bylaws, resolutions on the following matters are referred to the remit of the Board of Directors, without prejudice to the concurrent remit of the Shareholders' Meeting: the incorporation of companies that are wholly owned or at least 90% owned; transfer of the registered offices, provided that this occurs within Italy; the establishment or closure of branches, both in Italy and abroad; reduction of share capital in the case of withdrawal by a shareholder; amendment of the Bylaws to comply with mandatory regulatory provisions.

The examination and approval of the Company's strategic plans and the regular monitoring of their implementation are reserved to the Board of Directors.

The Board of Directors is also responsible, *inter alia*, for *i*) assessing the overall operating performance; *ii*) assessing the adequacy of the organisational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System supervised by the Director in Charge, *iii*) defining the Company's corporate governance system, *iv*) assigning powers to the Executive Directors and *v*) defining the remuneration policy for Executive Directors and key management personnel as well as determining the remuneration of Directors vested with special powers. The Board of Directors resolves on transactions of significant strategic, economic, equity or financial importance for Italmobiliare, implemented not only by the Company itself but also by the subsidiaries, and on transactions with related parties, according to the terms of the specific procedure adopted by the Company and in compliance with the processes specified therein.

The Board of Directors, on the basis of information received during the financial year and reports received from the CEO and the Risks and Sustainability Committee, has acknowledged the essential adequacy of the organisational, administrative and accounting structure of the Company, with particular reference to the internal control and risk management system.

The Directors act and make decisions on an informed basis and independently pursuing the primary objective of creating value for Shareholders. They hold their office dedicating the necessary time for the diligent performance of their duties.

The Chairman, or if she is absent, the Deputy Chairman, coordinates the activities and conducts the meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is disclosed to the Directors and Statutory Auditors properly in advance, when there are no grounds for confidentiality such so as not to permit advance distribution of the material.

The Board of Directors has established that support documentation, outlining the items on the agenda of meetings, must be sent at least two days before the meeting. This minimum period was complied with in 2018; only in limited cases, for confidentiality reasons, was the support documentation made available within a shorter period or at the board meeting, during which all the clarifications were then provided and the adequate in-depth analyses ensured to allow the Board to resolve in an informed manner. When the material is particularly complex, specific explanatory notes prepared by the company departments are also sent in order to facilitate the adoption of resolutions by the Directors.

As recommended in the communication from the Chairman of the Corporate Governance Committee dated December 21, 2018, at the meeting on February 14, 2019 the Board of Directors made a specific assessment of the information provided prior to the Board Meeting which was deemed adequate.

The Board of Directors meets regularly at least quarterly to approve the annual and half-year financial reports and the quarterly data relating to the additional periodic information. At those meetings, the delegated bodies report on the activities performed by virtue of their respective powers. In any case, pursuant to the Bylaws, the Board of Directors shall meet each time it is deemed necessary by the Chairman, or the person acting in place of the Chairman, or at the request of each Statutory Auditor after notifying the Chairman of the Company.

The Board of Directors, during the examination and approval of the accounting situations for the period, in light of the information received by the delegated bodies, assesses the overall operating performance by comparing the results achieved with those planned during the definition of the annual budget.

The Shareholders' Meeting has not authorised a derogation from the competition prohibition pursuant to art. 2390 of the Italian Civil Code nor is one provided for in the Bylaws. Moreover, no Director is an unlimited liability shareholder in a competitor company, operates a competitor business for themselves or on behalf of third parties, or is a director or general manager in competitor companies.

The Board of Directors, over the course of the financial year 2018, held ten meetings in the presence of the Board of Statutory Auditors with an average duration of over three hours; the attendance percentages of the individual Board Directors are indicated in the table set out at the end of this Report. Nine Board of Directors meetings were attended by all the members of the Board of Statutory Auditors; one Statutory Auditor was absent from one meeting.

During the financial year, all the Board of Directors meetings were attended by the Manager in Charge, the assistant to the CEO and the Head of Corporate Affairs. The Head of Investments Management, the Head of IR, the Head of Legal Affairs, the Head of Internal

Audit, the managers of the Development and Investments Department, the Head of Finance and Treasury, and the Head of Human Resources also attended, for the areas within their remit.

In December 2018, the Company released the calendar of corporate events for the year 2019, which is available on the website www.italmobiliare.it. In 2019, until approval of this Report, the Board of Directors met three times.

Appointment and replacement of the directors

Directors are appointed by the Shareholders' Meeting on the basis of slates submitted by the Shareholders.

The slates must be filed at the registered offices at least 25 days prior to the date set for the Shareholders' Meeting in a single call; this is mentioned in the call notice along with the procedures and shareholding required for their submission.

Only Shareholders who, alone or together with others, own a stake in the share capital with voting rights no lower than that set by Consob pursuant to current regulations are entitled to present slates. No shareholder may file or participate in the filing of more than one slate, directly or through a nominee or trust company, or vote for different slates. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one slate, not even through a nominee or trust companies. Slates filed in violation of these restrictions will not be accepted. Each candidate may be on one slate only under penalty of ineligibility.

Pursuant to the By-laws, the slates that have a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender may be represented by at least one third (rounded upwards) of the candidates.

At the time of their filing, slates must include:

- a) the statements in which the individual candidates accept their candidacy and declare, under their own responsibility, that there are no grounds for ineligibility, that they possess the integrity requirements established by law, and whether they possess the requirements of independence envisaged by law and in the Code. With reference to this last aspect, it is specified that in the past this principle was contained in the Corporate Governance Code and that the Board of Directors deemed it appropriate to maintain it;
- b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;
- c) information on the identity of the shareholders who have presented slates. The certification or statement proving ownership of the shareholding prescribed by the law in force when the slate is presented may also be produced after the filing of the slate provided that it reaches the company within the term envisaged by the regulation in force for the publication of slates by the Company;
- d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

The Bylaws do not set integrity and independence requirements additional to those laid down for Statutory Auditors in the CLF. Any Director elected who, during their term of office, ceases to hold the integrity requirements set by law or the Bylaws shall be debarred from holding office.

A number of Directors that is not less than the minimum amount required by law must possess the independence requirements provided under current legislation.

If the slate filed does not comply with the above provisions will be considered as not presented.

At least 21 days prior to the date set for the Shareholders' Meeting called to resolve on the appointment of the management bodies, the Company shall make the slates of candidates filed by shareholders and the relative documentation available to the public at the registered offices, the market management company and on its website.

In the event of filing of more than one slate:

- a) all the Directors are elected from the slate that obtains the highest number of votes at the Shareholders' Meeting, in the order in which they are listed, except for the minimum number reserved by law for the minority shareholders' slate;
- b) the minimum number of Directors reserved by law to minority shareholders are elected from the minority shareholders' slate that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- c) should more than one slate obtain the same number of votes, a runoff is held on these slates among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the slate that obtains the majority of the share capital represented at the Shareholders' Meeting.

For the purposes of the apportioning of the Directors to be elected, the slates that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of slates will not be considered.

Should a party connected to a majority shareholder vote for a slate of the minority shareholders, the connection is significant for the purposes of excluding the minority shareholders' elected Director only if this vote was crucial for the election of said Director.

Should a single slate be presented, all the candidates included in that slate are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on slates or the voting on the only slate presented, the composition of the Board of Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the slate that has obtained the highest number of votes or within the only slate presented, starting from the candidate in the last place of the same slate. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the slate that has obtained the highest number of votes, or within the only slate presented.

In the absence of slates, and whenever by means of the slate voting mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of Directors holding the independence qualification required by the law is guaranteed.

If during the year one or more Directors should cease to hold office, due to resignation or any other reason, the others shall make provision to replace them with a resolution approved by the Board of Statutory Auditors, provided that the Directors appointed by the Shareholders' Meeting continue to constitute the majority. Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same slate as the Directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All this, in any case, in compliance with the current regulations on gender balance. Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves upon the replacement of Directors, in compliance with the above principles, with a simple majority of the share capital represented at the Shareholders' Meeting. The term of office of Directors appointed this way will end at the same time as that of the Directors serving at the time of their appointment.

No limits are set on the re-electability of Directors even if having held the same office for more than nine years in the last twelve years could represent a non-peremptory reason for exclusion from the independence requirement pursuant to the Code.

During the last renewal of the corporate bodies, the Board of Directors decided not to give shareholders guidelines on the managerial and professional figures whose presence was deemed appropriate.

Composition

The Bylaws state that the Company shall be governed by a Board of Directors made up of between five and fifteen members, who shall remain in office for the period established at the time of appointment, in any case not exceeding three financial years, and shall cease to hold office on the date of the Shareholders' Meeting called to approve the financial statements relating to the last financial year of the term of office, and they can be re-elected.

The Board of Directors currently in office, appointed by the Shareholders' Meeting on April 19, 2017 up until approval of the financial statements at December 31, 2019, is made up of fourteen members. The Shareholders' Meeting also appointed Giampiero Pesenti as honorary Chairman, highlighting his fifty years of passionate service dedicated to the Company. The honorary Chairman was not assigned powers, executive duties or remuneration. He is not a member of the Board of Directors.

For details on the composition of the Board and participation at Board and Committee meetings, refer to the table provided as an annex to this Report.

At the Shareholders' Meeting in 2017 eleven of the fourteen Directors currently in office were selected from the slate submitted by the majority shareholder Compagnia Fiduciaria

Nazionale S.p.A.: Laura Zanetti, Carlo Pesenti, Livio Strazzera, Vittorio Bertazzoni, Giorgio Bonomi, Mirja Cartia d’Asero, Valentina Casella, Sebastiano Mazzoleni, Luca Minoli, Chiara Palmieri, and Clemente Rebecchini. Antonio Salerno was selected from the minority slate submitted by RWC Asset Management LLP. Elsa Fornero was co-opted by the Board of Directors on July 27, 2017, following the resignation of Livia Pomodoro, and subsequently confirmed by the Shareholders' Meeting on April 18, 2018 at the proposal of the Board of Directors. Finally, following the resignation of Massimo Tononi, on July 25, 2018, the Board of Directors meeting of July 31, 2018, in compliance with the provisions of article 16 of the Bylaws, co-opted Paolo Domenico Sfameni, whose appointment shall expire with the approval of the financial statements at December 31, 2018. As Mr Sfameni was in fact the first and only candidate not elected from the majority slate submitted by Compagnia Fiduciaria Nazionale S.p.A. at the Shareholders' Meeting in 2017, he took over from the outgoing Massimo Tononi who was also selected from the same slate. The Board of Directors, at the meeting on March 6, 2019, resolved to propose that the Shareholders' Meeting confirm Mr Sfameni.

When the corporate bodies were renewed in 2017, the minimum stake in the capital established by CONSOB required to submit a slate was 1%. The slates and relative support documentation, filed and published within the deadlines set by law during the nomination, are available on the website www.italmobiliare.it in the “Governance/Shareholders' Meeting/Shareholders' Meetings Archive/2017” section.

The curriculum vitae of each director is available in the “Governance/Organization” section of the website www.italmobiliare.it and also provided in the incipit of the Annual Financial Report. The offices held by the same in other listed, financial, banking and insurance companies or companies of significant size are indicated in the following sections of the Report.

Of the fourteen Directors in office, thirteen are non-executive; seven of the latter are independent pursuant to both the CLF and the Code, and three are independent pursuant to the CLF only. In compliance with the provisions on gender quotas, one third of the positions are reserved for the less represented gender.

The composition of the Board of Directors at the date of approval of this Report, specifying the office held and membership in Committees, is indicated below.

Laura Zanetti*	Chairman, and Chairman of the Executive Committee
Livio Strazzera*	Deputy Chairman, and member of the Executive Committee
Carlo Pesenti	Chief Executive Officer – Chief Operating Officer and member of the Executive Committee
Vittorio Bertazzoni**	Member of the Remuneration and Nomination Committee
Giorgio Bonomi	Member of the Risks and Sustainability Committee
Mirja Cartia d’Asero**	Chairman of the Risks and Sustainability Committee and member of the Committee for Transactions with Related Parties
Valentina Casella**	Chairman of the Committee for Transactions with Related Parties and member of the Risks and Sustainability Committee

Elsa Fornero**	Member of the Committee for Transactions with Related Parties
Sebastiano Mazzoleni	
Luca Minoli	Member of the Executive Committee
Chiara Palmieri**	Member of the Remuneration and Nomination Committee and member of the Executive Committee
Clemente Rebecchini*	
Antonio Salerno**	
Paolo Sfameni**	Chairman of the Remuneration and Nomination Committee

**Director in possession of the independence requirements as laid down in the CLF*

***Director in possession of the independence requirements as laid down in the CLF and the Corporate Governance Code*

Diversity policies

The composition of the Board of Directors has evolved over time in accordance with best practices, in order to ensure adequate representation in terms of experience, age and gender. The Company has not approved specific diversity policies relating to the composition of the Board of Directors and the Board of Statutory Auditors but, in light of the recommendations of the Code, it reserves the right to assess this aspect in the broader context relating to the adoption of a Group policy on sustainability, and this also in view of the renewal of the corporate bodies scheduled to take place in 2020.

Limits on the accumulation of appointments and offices of the directors

The Board of Directors, with a view to efficiency and clarity, with a resolution passed on March 6, 2018, set the maximum number of offices held in listed companies in regulated markets, even foreign, as four, including the office in Italmobiliare S.p.A., excluding the companies of the Italmobiliare Group, which can be considered compatible with the efficient performance of the office of Director and Statutory Auditor of Italmobiliare. All the Directors and Statutory Auditors comply with this limit.

The offices as Director or Statutory Auditor held by each Director in other listed companies in regulated markets, even foreign, as well as financial, banking and insurance companies or companies of significant size, are set out below:

Laura Zanetti	Italgas S.p.A.	Standing Auditor
Livio Strazzera	Serfis S.p.A.	Sole Director
Carlo Pesenti	Clessidra SGR S.p.A.	Chairman
	Tecnica Group S.p.A.	Director
Vittorio Bertazzoni	Erfin S.p.A.	Deputy Chairman and CEO
	SMEG S.p.A.	Deputy Chairman and CEO
Mirja Cartia d'Asero	FNM S.p.A.	Director
Elsa Fornero	Buzzi Unicem S.p.A.	Director

	Centrale del Latte d'Italia S.p.A.	Director
Luca Minoli	Cemital S.p.A.	Chairman
	Finanziaria Aureliana S.p.A.	Chairman
	Privital S.p.A.	Chairman
Chiara Palmieri	Snaitech S.p.A.	Director
Clemente Rebecchini	Assicurazioni Generali S.p.A.	Deputy Chairman
Paolo Sfameni	Allianz Bank S.p.A.	Director
	Investitori SGR S.p.A.	Chairman of the BoD
	WISE SGR S.p.A.	Chairman of the Board of Statutory Auditors
	Vorwerk Management S.r.l.	Chairman of the Board of Statutory Auditors

Executive Directors

Of the fourteen directors in office, only Carlo Pesenti, Chief Executive Officer and Chief Operating Officer, qualifies as an executive director. The Board of Directors has assigned him duties and powers, last amended on June 7, 2018, identifying the limits on amounts for their exercise.

Executive Committee, Chairman and Chief Executive Officer

Within the scope of the Board of Directors, powers have been granted as described below.

The *Executive Committee*, made up of Laura Zanetti, Carlo Pesenti, Livio Strazzerà, Luca Minoli and Chiara Palmieri (who replaced Massimo Tononi as of July 31, 2018), was granted all the powers and attributions of the Board of Directors, except for those which under the law and Bylaws cannot be delegated, to be exercised with the amount limit of 300 million euros, as last resolved on June 7, 2018. The Executive Committee must report to the Board of Directors on the resolutions passed at the first possible meeting.

In 2018 the Executive Committee held a meeting, which lasted 2 hours, to examine an investment proposal.

To the *Chairman*, Ms Laura Zanetti, duties have been attributed to submit proposals for resolutions of the Board of Directors and/or the Executive Committee; duties to supervise and ensure the compliance with Corporate Governance principles approved by the Company, proposing any amendment to them to be submitted to the Board of Directors for approval; to supervise the regularity of the meetings and actions of the corporate bodies and supervise the actions of the Chief Operating Officer with reference to real estate management transactions. In addition to the representation powers envisaged by the Company By-laws, the Chairman was granted, among others, the powers to act, including before the criminal court, to protect the Company's interests, with the broadest mandate in terms of the capacity to lodge actions in criminal court, including the right to sign and submit charges and lawsuits against those liable for offences to the detriment of the

Company and with all ensuing and subsequent powers, including the right to appear as a civil party against those liable, as well as grant special power of attorney with such powers to trusted individuals and appoint attorneys and proxies; to appoint consultants in general, establishing the relative remuneration, compensation and any deposits, suspending, concluding and changing the relationship, with the right to grant special powers of attorney with such powers to other people; to grant special and general powers of attorney, also granting the corporate signature, individual or joint, and with the powers and attributions that will be considered necessary for the best performance of the company; to negotiate and conclude any transaction or contract for real estate purchase or sale, exchange and property division, for the establishment of easements or property rights in general, permitting and requesting mortgage registrations, cancellations and entries, waiving legal mortgages and releasing the real estate registrar from all liability and with the right to appoint to replace her, for each transaction or contract, one or more special attorneys with all required powers, with the limit of euro 20 million with joint signature with the Chief Operating Officer;

The ***Chief Executive Officer and Chief Operating Officer*** Carlo Pesenti, was granted, inter alia, the duties of putting forward proposals to be resolved on by the Board of Directors and/or Executive Committee; overseeing the execution and implementation of investment plans as defined by the Board of Directors and/or Executive Committee; dealing with the managerial policies and corporate development strategies of Italmobiliare and the main direct and indirect subsidiaries; overseeing and directing the activities of Italmobiliare and the main subsidiaries; defining the guidelines for managing the main companies in which Italmobiliare directly or indirectly holds an equity investment that allows it to exercise significant influence; dealing with the company organisation and proposing the main organisational changes to the Board of Directors. This figure was granted, inter alia, in addition to the representation powers established in the Bylaws, the powers to carry out all tasks relating to administration and arrangements concerning the management of the Company including performing transactions on securities and credit, assume any form of obligations in the name of the Company, even accompanied by collateral security, accept guarantees, provide collateral security and guarantees for third parties as long as they are direct or indirect subsidiaries of Italmobiliare, buy and sell government bonds, bonds, mortgage bonds, stock, company shares, carry out asset and liability carry-over transactions and advance on security transactions.

The powers granted for the office of Chief Operating Officer can be exercised within the amount limit of 20 million euros per single transaction; the powers granted for the office of Chief Executive Officer can be exercised within the amount limit of 20 million euros, except for funding transactions and transactions on derivatives which can be made within the amount limit of 50 million euros, and transactions to sell the securities of listed companies, which can be made within the amount limit of 100 million euros per single trading day. The Chief Executive Officer - Chief Operating Officer may be qualified as the main party responsible for company management.

The Chief Executive Officer - Chief Operating Officer is not a Director in another listed company not belonging to the Group at which a Company Director is the chief executive officer.

To manage current operations proxies were granted to managers of the Company, within

the scope of their respective remits.

Succession plans

The Board of Directors has assigned the Remuneration and Nomination Committee the task of drawing up any succession plans for executive directors which the Board of Directors should decide to adopt.

In consideration of the Company's organisational structure, the Board of Directors, upon the Committee's recommendation, as of today has not adopted a succession plan, although it has ensured that, should an extraordinary situation occur, all the oversights are in place that would enable it to manage the Company in a transition phase (emergency plan).

Independent Directors

According to the provisions of the CLF, at least one of the members of the Board of Directors, or two if it is made up of more than seven members, must have the independence requirements laid down by law for the members of the Board of Statutory Auditors. The Code also states that the number and the expertise of the independent Directors must be satisfactory in relation to the size of the Board of Directors and the activities carried out by the Company and must enable the establishment of Committees within the Board of Directors; also pursuant to the Code, there must be at least two independent Directors.

If the independence requirements laid down by law cease to be valid, the Director concerned must immediately notify the Company's Board of Directors. This circumstance entails the removal from office of such Director, except in cases where such requirements are still met by at least the minimum number of Directors required by current legislation.

Immediately after its appointment in April 2017, the Board of Directors assessed the independence of its members, on the basis of the provisions of the CLF and the criteria laid down in the Code, the results of which were disclosed to the market.

The Board of Directors last assessed the existence of the independence requirements of each of the non-executive Directors on February 14, 2019.

As a result of these assessments, the following qualify as independent Directors pursuant to the provisions of the CLF and the criteria laid down in the Code: Vittorio Bertazzoni, Mirja Cartia d'Asero, Valentina Casella, Elsa Fornero, Chiara Palmieri, Antonio Salerno, and Paolo Sfameni. These independent Directors met twice during the 2018 financial year in the absence of the other Directors.

The following qualify as independent Directors only pursuant to the provisions of the CLF: Laura Zanetti, Livio Strazzerà and Clemente Rebecchini.

The Board of Statutory Auditors checked the correct application of the criteria and the assessment procedures adopted by the Board of Directors to assess the independence of its members.

Lead Independent Director

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board of Directors should appoint an independent

Director as “Lead independent director”, to provide a reference for and coordinate requests and contributions of non-executive Directors and, in particular, independent Directors. As these conditions were not met, the Board of Directors, at the meeting on April 19, 2017, resolved not to appoint a “Lead Independent Director” for the 2017-2019 term of office.

Self-assessment

The Directors are required to perform an assessment each year on the composition, role and operation of the Board and its Committees. With reference to 2018, the self-assessment was also extended to the Board of Statutory Auditors. The Chairman of the Board of Directors supervised and coordinated the process, with the support of the Corporate Affairs Department.

At the close of the 2018 financial year, the Company distributed a questionnaire to all Directors and Statutory Auditors, which had been prepared in-house with the help of the Chairman and without assistance from an external consultant, and concerned a full evaluation of the operation and composition of the Board of Directors and its Committees, with the possibility of making recommendations or comments. Each recipient was asked to make their assessment based on a scale of values ranging from 1 to 5.

The questionnaire was returned anonymously by fifteen of the seventeen persons consulted. The results of the self-assessment were presented to the Board of Directors at the meeting on February 14, 2019. The Board took note of the opinions expressed by the Directors and Statutory Auditors and of the suggestions made to improve the operation of the corporate governance bodies.

In general terms, the opinions of the Directors and Statutory Auditors confirmed the widespread satisfaction with the procedural and operational aspects, the frequency and duration of the meetings, the role of the Chairman and her relations with the Directors as well as the contribution and effectiveness of the Committees.

Induction programme

The Chairman, through the relevant company departments, works to ensure that the Directors and the Board of Statutory Auditors participate in initiatives aimed at increasing their knowledge of the company situation and dynamics and are informed about the main legislative and regulatory changes that concern the Company and corporate bodies.

In 2018, two induction sessions were held in the presence of some members of the management, the purpose of which was to promote knowledge about the activities of the investee companies Tecnica Group S.p.A. and Caffè Borbone S.r.l.

Internal Committees of the Board of Directors

In addition to the Executive Committee mentioned above, the Board of Directors has also set up the following Committees within it: the Remuneration and Nomination Committee and the Risks and Sustainability Committee, whose duty is to provide consultancy and proposals to the Board of Directors; and, in application of the regulatory provisions on transactions with related parties, the Committee for Transactions with Related Parties.

In carrying out their functions, the Committees are entitled to access corporate information and functions necessary for the performance of their duties and may use external consultants at the expense of the Company.

Each Committee appoints a Secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings.

Detailed information on the Remuneration and Nomination Committee and the Risks and Sustainability Committee is provided in the remaining part of this section of the Report, whereas details of the Committee for Transactions with Related Parties can be found in the “Code of conduct, procedures and other corporate governance practices” section.

Remuneration and Nomination Committee

During the financial year 2018, the Company’s Board of Directors assigned the responsibilities that the Code recognises to the “Nomination Committee” to the already existing Remuneration Committee (established since 2000), which therefore assumed the name “Remuneration and Nomination Committee.”

The Committee, made up solely of independent directors in possession of the requirements laid down in the code and in the CLF, is currently made up of Paolo Sfameni, Chairman, Vittorio Bertazzoni and Chiara Palmieri. Until July 25, 2018 the Committee was chaired by the independent Director Massimo Taroni, who resigned on that date. To replace him, following co-optation resolved on July 31, 2018, the Board of Directors appointed Paolo Sfameni as a member, and then appointed him Chairman of the same Committee.

All the members have adequate experience with accounting, financial and remuneration policy matters. The meetings are regularly minuted and the Chairman informs the Board of the meetings held at the first possible meeting.

The Board of Statutory Auditors and the Head of Human Resources are regularly invited to attend the Committee meetings. No director participates in the part of the meetings that involves formulating proposals on his/her remuneration.

The Committee has regular access to the company information and departments necessary to perform its tasks, and it has an annual budget of 50,000 euros assigned by the Board of Directors. The Committee may seek assistance from independent consultants.

Its work is governed by regulations approved by the Board of Directors, at the proposal of the Committee itself, on September 25, 2018.

The Committee performs the following functions, among others: formulates proposals to the Board to define a remuneration policy for the executive directors, directors vested with special powers and key management personnel; submits proposals to the Board of Directors on the remuneration of executive directors and the other directors vested with special powers; assesses proposals to introduce short and long-term incentive systems, monetary and share-based, to be submitted for the approval of the Board of Directors; proposes performance objectives to the Board, linked to the variable component of the remuneration of executive directors, directors vested with special powers and key management personnel; checks, even using information received from the relevant company departments, whether

the performance objectives linked to the incentive plans and variable remuneration have been achieved. The Committee also formulates opinions on its size and composition and expresses recommendations on the professional figures whose presence on the Board is deemed appropriate and conducts preliminary investigations in order to prepare and review any succession plans for executive directors which the Board of Directors should decide to adopt.

During the financial year the Committee met twice, in the presence of the Board of Statutory Auditors; the average duration of the meetings was one hour.

In 2018 the Committee, *inter alia*, examined the remuneration policy of the executive directors and key management personnel to be submitted to the Board of Directors and to the subsequent advisory vote of the Shareholders' Meeting; checked whether the performance objectives had been achieved in order to determine the short-term variable remuneration to be assigned to the Chief Executive Officer and key management personnel (2017 MBO); formulated a proposal for the Board of Directors on the fixed remuneration and the variable remuneration of the Chief Executive Officer for the financial year 2018; examined the variable remuneration proposals for key management personnel for the financial year 2018; formulated a proposal for the Board of Directors to adopt its own regulations. During the financial year the Committee did not seek assistance from external consultants.

In 2019, up until the approval of this Report, the Committee met twice. It examined, *inter alia*, the remuneration policy to be submitted to the Board of Directors and to the subsequent advisory vote of the shareholders' meeting, checked whether the performance objectives had been achieved in order to determine the short-term variable remuneration to be assigned to the Chief Executive Officer and key management personnel (2018 MBO); formulated a proposal for the Board of Directors on the fixed remuneration and the variable remuneration of the Chief Executive Officer for the financial year 2019; examined the variable remuneration proposals for key management personnel for the current financial year (2019 MBO). The Committee also examined the parts within its remit of the letter of the Chairman of the Corporate Governance Committee dated December 21, 2018.

For further information on the duties of the Remuneration and Nomination Committee, and in general on the remuneration policy for directors and key management personnel, approved by the Board of Directors upon the Committee's proposal, refer to the remuneration report drawn up pursuant to art. 123-*ter* of the CLF.

Risks and Sustainability Committee

The Board of Directors established within it a Risks and Sustainability Committee, made up of Mirja Cartia d'Asero, Chairman, Valentina Casella, both independent Directors, and Giorgio Bonomi, non-executive Director.

As recommended by the Code, with reference to at least one member, the requirement of adequate experience in accounting and financial matters was complied with.

The Committee has a duty to provide the Board with consultancy and proposals on: i) the Internal Control and Risk Management System; ii) periodic financial reporting; and iii) social sustainability matters linked to the exercise of the Company's business activities,

also for non-financial reporting purposes. In particular, the Committee also performs its duties on the basis of information flows received from the Head of Internal Audit of the Company, as regards Italmobiliare S.p.A. and its subsidiaries that do not have autonomous third-level control systems and structures. As regards the other subsidiaries, which may also include entities subject to monitoring by national or foreign control authorities, the Committee uses the information flows defined in the guidelines of the ICRMS and in particular information received from the homologous structures, where present.

The Committee provides the Board with a preventive opinion on:

- a) the definition of the ICRMS guidelines, so that the main risks pertaining to the Company and its subsidiaries are correctly identified and adequately measured, handled and monitored, determining the degree of compatibility of these risks with a business management consistent with the strategic objectives identified;
- b) the assessment of the adequacy and efficiency of the ICRMS with respect to the business characteristics and the risk profile assumed;
- c) approval of the work plan prepared by the Head of Internal Audit;
- d) adequate representation in the annual report on corporate governance of the main characteristics of the internal control and risk management system and the methods of coordination between the subjects involved in it;
- e) the assessment, after having consulted the Board of Statutory Auditors, of any issues that emerged during the external audit;
- f) the non-financial statement pursuant to Legislative Decree 254/2016.

The Committee, in assisting the Board, shall also perform the following functions:

- a) assess with the Manager in charge of preparing the company's financial reports, after having consulted the Board of Statutory Auditors and the external auditor, the correct use of the accounting standards and their consistency in the drafting of the financial statements;
- b) express opinions on specific aspects regarding the identification, assessment and monitoring of the main company risks;
- c) monitor the existence of adequate oversights for managing sustainability issues linked to the exercise of the business activities of the Company, also for the purposes of non-financial reporting, as well as the dynamics of interaction with stakeholders, understanding the latter to be the recipients of non-financial reporting;
- d) examine the periodic reports concerning the assessment of the ICRMS and those of particular importance, prepared by the Internal Audit Department;
- e) monitor the independence, adequacy, efficiency and effectiveness of the Internal Audit department;
- f) support, with adequate preparatory work, the assessments and decisions of the Board on the management of risks deriving from prejudicial actions the Board has come to know about;
- g) examine the periodic information reports on internal control and risk management and on sustainability issues received from the subsidiaries of Italmobiliare S.p.A. and in particular those prepared by the homologous Committees;

- h) report to the Board of Directors, at least once every six months, usually during the approval of the financial statements and the interim report, on the activities carried out as a whole and on the adequacy of the ICRMS and, through its Chairman, inform it about the meetings held at the first possible Board of Directors meeting;
- i) carry out the additional tasks assigned to it by the Board.

The Committee, finally, shall express its opinion on the appointment and removal of the Head of Internal Audit, also in relation to the definition of the remuneration of this figure in keeping with company policies.

The meetings are regularly minuted and the Chairman provides the Board of Directors with information on them at the first possible meeting. The Company managers responsible each time for the items on the agenda are regularly invited to participate in the meetings of the Risks and Sustainability Committee to provide the appropriate in-depth analyses; in any case, the Manager in Charge and the Head of Internal Audit attend all the meetings. The Committee has an annual budget of 50,000 euros assigned by the Board of Directors.

In 2018, the Committee held a total of nine meetings, the average duration of which was two and a half hours, always with all its members in attendance. The Board of Statutory Auditors always attended the meetings: eight meetings were attended by three statutory auditors, while one meeting was attended by two out of three statutory auditors.

During fiscal year 2018, the Committee, among other things:

- a) examined and approved the methodology used by the Company for the preparation of the non-financial report pursuant to Legislative Decree 254/2016 and the impairment tests, and examined and shared the results;
- b) examined the 2017 consolidated non-financial statement, which was subsequently approved by the Board of Directors;
- c) proposed amendments, subsequently approved by the Board of Directors, to the Internal Control and Risk Management System Guidelines in order to incorporate activities relating to the non-financial statement;
- d) proposed the adoption of regulations aimed at governing the functions of the Committee, subsequently approved by the Board of Directors;
- e) assessed the correct use of the accounting standards and their consistency for financial reporting purposes;
- f) examined the Audit Plan for 2018, subsequently approved by the Board of Directors, and monitored its implementation;
- g) analysed the outcomes of the risk management activities, with particular reference to Information Technology risks;
- h) examined and agreed on the method used by the Company to adapt to the new General Data Protection Regulation and acknowledged the completion of the relative project, given the entry into force of the new provisions in May 2018;
- i) examined the reports prepared by the Head of Internal Audit in order to check the adequacy, efficiency and effective operation of the Internal Control and Risk

Management System;

- j) met the homologous departments of the main subsidiaries;
- k) examined the method for measuring and representing the NAV and examined Italmobiliare's Investment Guidelines, subsequently approved by the Board of Directors;
- l) received periodic updates from the Head of Legal Affairs on the state of the active and passive disputes in progress;

In 2019, up until the approval of this Report, the Committee met four times in the presence of the Board of Statutory Auditors to examine, inter alia: the impairment test methodology for the 2018 financial year and the relative results; the results of the risk management activities; the accounting criteria adopted for drafting the 2018 financial report; the draft 2018 non-financial statement; the updates on the disputes in progress; the final figures of the 2018 Audit activities and the 2019 Audit Plan. The Committee also examined the section of this Report on the description of the Internal Control and Risk Management System, agreeing on its content.

On the basis of the calendar of meetings approved by the Committee, a total of eight meetings are scheduled for 2019.

III. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Definition and objectives

The Internal Control and Risk Management System ("ICRMS") of Italmobiliare is an essential part of the corporate governance system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks facing the Company and its subsidiaries.

The Board of Directors, in compliance with the recommendations of the Code and having obtained the favourable opinion of the Risks and Sustainability Committee, defined and continuously updated the Internal Control and Risk Management System Guidelines (the "**Guidelines**"). The Guidelines, taking into account the specific structure of the Group, which includes companies - among which there may be entities subject to the supervision of national supervisory authorities - with internal control systems and structures in turn responsible for overseeing the ICRMS of their respective sub-groups (so-called "Group of groups"), seek to ensure consistency and harmonization between various existing control tools, establishing, therefore, the roles and departments involved in the identification, measurement, management and monitoring of the main risks of the Company and its subsidiaries.

The Guidelines were sent to the subsidiaries so that the latter could take account of them in the definition and maintenance of their own ICRMS, without prejudice to the autonomy and independence of each company.

The ICRMS must contribute to the running of the Company in line with the company objectives defined by the Board of Directors, encouraging informed decision-making. It helps to ensure the safeguarding of company assets, the efficiency and effectiveness of company processes, the reliability of financial reporting, and compliance with the laws and regulations and with the Bylaws and internal procedures.

The ICRMS, in line with the best national and international standards and with the provisions of the organisation, management and control model pursuant to Legislative Decree 231/2001, is broken down into three levels of control:

1st level: represented by line checks aimed at ensuring the correct performance of company operations, in line with the company's business and governance objectives; these checks are carried out by the heads of the operating areas who identify and assess the risks and define specific actions for managing them;

2nd level: departments in charge of the definition of methodologies and tools for risk management and performance of risk monitoring activities;

3rd level: the Internal Audit Department, as well as any other parties that provide objective and independent assessments (so-called assurance) on the design and operation of the overall System.

The Guidelines envisage the involvement of the following company bodies and departments:

Board of Directors, with the following tasks:

- examining and approving the strategic plan, monitoring periodically the related implementation;
- periodically examining the main company risks and processes implemented to prevent, reduce and manage them;
- defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board of Directors at the time of approval, amendment or revision of the Strategic Plan;
- evaluating the adequacy of the organizational, administrative and accounting structure of the Company as well as of its strategically significant subsidiaries in particular with regard to the Internal Control and Risk Management System;
- examining and approving the financial statements for the period;

Board of Directors, having obtained the opinion of the Risks and Sustainability Committee, with the following tasks:

- define, in keeping with the Company's risk profile, the Internal Control and Risk Management System Guidelines and also ensure it is updated, so that the main risks pertaining to the Company and its subsidiaries are correctly identified and adequately measured, handled and monitored, also determining the degree of compatibility of these risks with a business management consistent with the strategic objectives identified;

- assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
 - o duties and responsibilities are allocated in a clear and appropriate manner;
 - o the control departments, including the Head of Internal Audit, the Manager in Charge and the supervisory body ("**Supervisory Body**"), are provided with adequate resources to perform their respective duties and have an appropriate level of autonomy within the corporate structure.
- approving, at least annually, the work plan (which must also concern the reliability of the IT systems) proposed by the Head of Internal Audit, having consulted the Director In Charge and the Board of Statutory Auditors;

Board of Directors, upon the proposal of the director in charge of the ICRMS (the **Director In Charge**), having also consulted the Board of Statutory Auditors and the Risks and Sustainability Committee, with the following tasks:

- appointing and removing the Head of Internal Audit, ensuring that the latter has adequate resources to carry out the responsibilities of this role and define the remuneration for this role in line with company policies.

The Board of Directors, with the assistance of the Risks and Sustainability Committee, also determines the compatibility criteria of the risks pertaining to the Company and its subsidiaries and assesses, annually, also on the basis of the report prepared by the Committee itself, the adequacy, efficiency and effective operation of the ICRMS with respect to the characteristics of the company.

With reference to subsidiaries with autonomous internal control structures with similar tasks to those assigned by the Code to the Control and Risk Committee, the activities performed by the Risks and Sustainability Committee of Italmobiliare consist of the examination and assessment of the reports received by these structures.

Over the course of the financial year, the Board of Directors and the Executive Committee, during the investments analysis, did not detect risk profiles incompatible with the strategic objectives of the Company, also in view of sustainability over the medium to long-term.

The Board of Directors approved the work plan prepared by the Head of Internal Audit, having consulted the Board of Statutory Auditors and the Director In Charge.

This process is operating in the main subsidiaries.

The director in charge of the internal control and risk management system (“Director In Charge”)

At the meeting on April 19, 2017 the Board of Directors identified the Director In Charge as the Chief Executive Officer - Chief Operating Officer, Carlo Pesenti.

He has the task of:

- a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them

periodically to the review of the Board of Directors;

- b) executing the Guidelines, overseeing the planning, implementation and management of the ICRMS, checking its adequacy and effectiveness on an ongoing basis;
- c) proposing to the Board of Directors, after having obtained the opinion of the Risks and Sustainability Committee and having consulted the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit and ensuring the independence of this figure and its operating autonomy from each head of the operating areas, checking that it has the appropriate means to effectively perform the tasks assigned to it;
- d) adjusting the Internal Control and Risk Management System to the dynamics of operating conditions and the legislative and regulatory framework;
- e) promptly reporting to the Risks and Sustainability Committee (or to the Board of Directors) issues and problems identified during his activity or of which he became aware in order for the Committee (or the Board of Directors) to take the appropriate actions.

The Director in Charge can also ask the Internal Audit department to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Risks and Sustainability Committee and the Chairman of the Board of Statutory Auditors.

The Director In Charge has the task of issuing, with the Manager in Charge, statements referring to the adequacy and effective application of the administrative and accounting procedures, the compliance of the documents with the applicable international accounting standards, that the documents correspond to the contents of the accounting books and records, and the suitability of the documents to provide a truthful and correct representation of the equity, economic and financial position of the Company and of the Group.

The Head of the Internal Audit department

The Board of Directors meeting on April 19, 2017 confirmed, as proposed by the Director In Charge and having consulted the Board of Statutory Auditors, Delia Strazzarino as the Head of the Internal Audit Department.

The Board of Directors, at the proposal of the Director In Charge and having consulted the Board of Statutory Auditors and the Risks and Sustainability Committee, defined the remuneration of the Head of Internal Audit in line with company policies and ensured that this figure has adequate resources to fulfil the responsibilities of the role.

The Head of Internal Audit is tasked with checking that the ICRMS is operational and adequate, providing the corporate bodies and top management with an objective assessment. She therefore has direct access to all information useful for the performance of her role, she is not responsible for any operating area and reports hierarchically to the Board of Directors.

The Head of Internal Audit reports on the methods used to conduct the risk management, compliance with the plans defined to contain the risks, and informs the Board of Directors,

the Risks and Sustainability Committee, the Director In Charge and the Board of Statutory Auditors of her assessment of the suitability of the ICRMS. The Head of Internal Audit provides the Board of Directors with an annual outline, as part of the audit plan, of the structure of her department which she deems fit, in both numerical and professional terms, to perform the tasks assigned to it. She prepares periodic reports containing adequate information on its activities, the methods used to conduct risk management and compliance with the plans defined to contain the risks, in addition to an assessment of the suitability of the ICRMS and any reports on particularly important events, and sends them to the Chairman of the Board of Statutory Auditors, the Chairman of the Risks and Sustainability Committee and the Chairman of the Board of Directors, as well as the Director In Charge. She also verifies the reliability of the information systems, including the accounting reporting systems.

As part of its “Quality assurance and improvement Programme,” the Internal Audit department must undergo, at least once every five years, a Quality Assurance Review by an independent external body; this process has been scheduled for the first half of 2019.

The Board of Directors, after obtaining the opinion of the Risks and Sustainability Committee and having consulted with the Director in Charge and the Board of Statutory Auditors, approved:

- the mandate of the Internal Audit department, last amended with a resolution on March 2, 2017, which formally defines the mission, objectives, organisational context and responsibilities of the department in line with the definition of Internal Auditing, with the Code of Ethics and the international standards set out in the International Professional Practices Framework of the Institute of Internal Auditors;
- the work plan for the year 2019 prepared by the Head of Internal Audit, examined at the meeting on January 24, 2019.

The Internal Audit Function performs its activities directly with reference to Italmobiliare Group, except for the subsidiaries that have an independent Internal Audit function.

At Group level, the Internal Audit department coordinates with the homologous departments of the subsidiaries in order to encourage a uniform approach to the operational and adequacy checks of the ICRMS, taking into account the autonomy, independence and responsibilities of the subsidiaries themselves and their relative bodies in charge.

The organisation, management and control Model pursuant to Legislative Decree 231/2001 and the supervisory body

In order to make the controls and Corporate Governance system more effective, with the aim of preventing the perpetration of corporate offences and those against the Public Administration, since 2004 the Company has adopted, in application of Legislative Decree 231/01, an organisation, management and control Model (the ‘**Model**’) updated over the years and last amended with a resolution of the Board of Directors on July 11, 2018.

By adopting the Model, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the Model itself.

There have been several updates to incorporate changes made to the law which have gradually extended the scope of application of Legislative Decree 231/01 to additional categories of offences with respect to those originally included. All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk assessments performed by consultants specialized in the matters taken into consideration on each occasion.

In 2018 the changes subject to the approval of the Board involved:

- simplifying the structure of the Model and updating the General Section, in light of the new organisational structure and regulatory changes (for example, on whistleblowing).
- updating the special section in light of the corporate reorganisation and the regulatory changes made, which included the expansion of the types of offences provided for under Legislative Decree 231/2001 (in particular, self-laundering).

The General Section of the Model is available on the Company's website www.italmobiliare.it, in the "Governance/ Documentation" section.

The main subsidiaries also have an organisation, management and control model pursuant to Legislative Decree 231/01.

The task of continuously supervising the effective operation and compliance with the Model, as well as proposing updates to it, is assigned to the Supervisory Body, appointed by the Board of Directors to which it reports directly, and granted autonomy, professionalism and independence in the exercise of its duties.

The Supervisory Body is currently made up, in compliance with the provisions of the same Model, of Paolo Domenico Sfameni (Chairman), independent Board Director, Dino Fumagalli, external professional, and Delia Strazzarino, Head of Internal Audit at the Company.

As part of its duties, the Supervisory Body periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree no. 231/01, the Board of Statutory Auditors, the Risks and Sustainability Committee, the Manager in charge and the representatives of the Independent Auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting. The Supervisory Body is granted autonomous initiative and control powers within the Company in order to efficiently exercise its functions.

The Supervisory Body periodically, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Risks and Sustainability Committee and the Manager in charge. Such reports may contain proposals for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

- a) any problems that arise with regard to the methods of implementing the procedures laid down in the Model;
- b) the warning reports received from internal and external parties with regard to the

Model;

- c) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;
- d) a complete assessment of the operation of the Model with any indications for supplements, corrections or amendments.

Internal control and equity, economic and financial reporting

The Internal Control and Risk Management System relating to the process of equity, economic and financial reporting is made up of the set of company rules and procedures adopted by the various operating departments and aimed at ensuring the soundness, accuracy, reliability and promptness of the financial reporting.

Italmobiliare has defined its own operating Model to comply with the Law on savings (hereinafter, in short, "Operating Model"), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document "Internal Control over Financial Reporting - Guidance for Smaller Public Companies", also developed by CoSO.

In this operating Model, the Internal Control and Risk Management System is considered together with the internal control system in relation to the financial reporting process.

The Operating Model defined by Italmobiliare is based on the following main elements:

- a) ***Preliminary analysis***. This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for the actions related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant entities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;
- b) ***Operational planning***. Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;
- c) ***Analysis of controls at company level***. The individual companies within the intervention scope, identified during the preliminary analysis, are responsible for activities linked to i) the assessment of the effectiveness of the Internal Control and Risk Management System in relation to the governance principles operating at company level (*Entity Level Controls*), as well as ii) overall management of the information IT systems used in processes relevant for *financial reporting* and the related IT infrastructure (*Information Technology General Controls*), to be carried out in accordance with the timing established during the operational planning phase and on the basis of the guidelines, instructions and templates provided by the Manager in Charge;

- d) ***Analysis of controls at process level.*** The individual companies, within the area of action identified in the preliminary analysis, are responsible for the related activities:
 - i) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, ii) performing tests to check the effective operation of controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Manager in charge;
- e) ***Assessment of the adequacy and effective operation of the administrative and accounting procedures and the related controls.*** In order to guarantee compliance with the key requirements for financial reporting (“financial statement assertions”), the Manager in charge, on the basis of the results of the carried out activities and the obtained documentation, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, the Internal Control System for these areas.

The ICRMS, with reference to the financial reporting process, also benefited from: the continuous development of an integrated corporate governance system (Service Orders, company processes and procedures); more accurate organisation and programming in relation to the provisions of Law no. 262 of December 28, 2005, containing "Provisions on the protection of savings and the regulation of financial markets" and subsequent corrective decrees (hereinafter shortened to "Savings Law"), issued by the legislator for the purpose of increasing transparency in corporate reporting and strengthening the internal control systems of listed issuers.

Independent Auditor

The auditing of the company's accounts, as required by the current applicable laws, was entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors. The assignment to audit the separate financial statements of Italmobiliare, the condensed consolidated financial statements of the Group and the assignment to perform a limited audit of the abbreviated half-year condensed consolidated financial statements of the Group for the financial years 2010-2018 was awarded to KPMG S.p.A. by the Shareholders' Meeting on April 29, 2010. The Board of Directors supplemented the assignment conferred on KPMG S.p.A. following the entry into force of Legislative Decree 254/2016 on non-financial statements.

The assignment to KPMG expires with the approval of the financial statements at 31 December 2018. The Shareholders Meeting called to approve the 2018 financial statements will therefore be called on to resolve on the conferral of the new assignment.

Manager in charge of preparing the company's financial reports

The Board of Directors, at the meeting held on June 21, 2017, appointed Mauro Torri as the Manager in Charge, pursuant to art. 154-bis of the CLF and art. 29 of the Bylaws, effective as of July 1, 2017. Pursuant to the Bylaws, the Manager in Charge must be a director and hold the integrity requirements established by law for members of the Board of Directors, and must have acquired overall experience of at least three years in administrative/accounting and/or financial and/or control matters at the Company itself

and/or its subsidiaries and/or at other public limited companies.

The Manager in Charge of Italmobiliare receives and assesses the reports on the activities performed by the internal control and risk management bodies of the Group companies identified as significant entities.

The Board of Directors, at the time of the appointment, at the proposal of the then Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, defined the compensation of the Manager in Charge and granted him full spending autonomy to exercise the powers conferred on him, with the obligation to report to the Board of Directors on a half-yearly basis on the financial means employed.

The Company, in connection with the provisions of the Law on Savings, adopted a specific Regulation which, in compliance with legal provisions, the By-laws and following current best practices, among other things:

- a) defines the responsibilities of the Manager in charge of Italmobiliare and specifies his/her related powers;
- b) identifies the responsibilities and method for the appointment, removal and termination of office of the Manager in charge, the length of service and the requirements in terms of professional skills and good reputation;
- c) reports on the principles of conduct which the Company Manager in charge must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;
- d) indicates the responsibilities, powers, and resources granted to the Manager in charge for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;
- e) defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external control Bodies and with subsidiaries, regulating information flows;
- f) illustrates the internal and external attestation process in reference to: the statements of the Manager in charge regarding the correspondence of the Company's acts and communications disclosed to the market with its documents and accounting books and entries; the statements of the Manager in charge and of the executives, relating to the financial statements, the condensed and interim financial statements and the consolidated financial statements.

The Regulations, last updated in January 2019, apply to all entities, departments and corporate bodies of Italmobiliare, as well as all its direct or indirect subsidiaries. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents.

The functions and duties of the Manager in Charge laid down in the Regulations include:

- a) ensuring there are adequate administrative and accounting procedures for the drafting of the financial statements, the condensed and interim financial statements and the consolidated financial statements, as well as any other financial reporting and non-

financial reporting drafted pursuant to Legislative Decree 254/2016, by updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;

- b) assessing, together with the Risks and Sustainability Committee and the independent auditor, the correct application of the accounting standards and their consistency for the purpose of the financial statements mentioned above;
- c) handling the periodic reporting to top management and the Board of Directors on the activities undertaken;
- d) managing the periodic review of the risks' assessment activities and updating the mapping of financial reporting risks;
- e) participating in the design of IT systems that have an impact on the economic, equity and financial position of the Company.

Risk Management

Within the scope of business risk management, the Company has launched an Enterprise Risk Management process, identifying as responsible of the risk management the Administrative Director. In the context of the ICRMS, the responsible of the risk management:

- a) defines and updates the appropriate governance of the Enterprise Risk Management (ERM): process, roles, responsibilities relating to the main risks;
- b) supports the various company and Group departments in integrating risk assessment within the strategic planning and business processes;
- c) ensures awareness of risk management and the efficiency of the process through the development of an ERM community whose members operate at the level of both the parent company and of each subsidiary;
- d) oversees the continuous improvement of the methods and process tools consistent throughout the Group to identify, assess and measure the key risks in collaboration with the Primary Risk Owners and the relative operating references;
- e) prepares and distributes ERM reporting to top management and submits it to the Risks and Sustainability Committee and the Board of Directors;
- f) guarantees regular follow-up of the action plans to mitigate the risk for the whole Group;
- g) helps to disseminate the ERM tools and methods, such as risk assessment and quantification.

In 2018 and up until approval of this Report, the analysis of risk events and opportunities capable of influencing the achievement of the economic objectives of the Company and of the Group was continued.

Coordination between subjects involved in the internal control and risk management system

Coordination between the various subjects involved in the Internal Control and Risk

Management System (Board of Directors, Director In Charge, Risks and Sustainability Committee, Internal Audit Department, Manager in Charge, the Board of Statutory Auditors, Supervisory Body and other roles and company departments with specific duties regarding internal control and risk management) occurs through the exchange of information and meetings scheduled ad hoc or at the meetings of the individual bodies.

Assessment of the Internal Control and Risk Management System

The Board of Directors, on the basis of the assessments and information gathered, with the support of the activities carried out by the Risks and Sustainability Committee, and with the contribution of the Director In Charge, the Head of Internal Audit and the Manager in Charge, acknowledged that no problems were reported that would invalidate the overall adequacy and efficiency of the Internal Control and Risk Management System with respect to the structure of the Company and of the Group and the characteristics of the business. The Internal Control and Risk Management System, on the other hand, is subject to ongoing improvement by means of the systematic monitoring and planning of improvement initiatives, in line with the international reference models.

IV. BOARD OF STATUTORY AUDITORS

Appointment of Statutory Auditors

The members of the Board of Statutory Auditors are appointed on the basis of slates submitted by the Shareholders, according to a system designed to allow the minority to appoint a Standing Auditor, who assumes the office of Chairman, and an Alternate Auditor. The appointment is made in accordance with current regulations on gender balance.

The slates must be filed at the Company's registered offices or sent to the certified email address indicated in the call notice of the Shareholders' Meeting, at least 25 days prior to the date set for the Shareholders' Meeting; this is mentioned in the call notice along with the procedures and shareholding required for their submission.

Slates may only be presented by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by Consob pursuant to the regulations in force concerning the appointment of the Board of Directors.

No shareholder may file or participate in the filing of more than one slate, directly or through a nominee or trust company, or vote for different slates. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one slate, not even through a nominee or trust companies. Slates filed in violation of these restrictions will not be accepted.

Each candidate may be on one slate only under penalty of ineligibility.

Slates that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Standing Auditor and at least one third (rounded upwards) of the candidates for the office of Alternate Auditor. At the time of their filing, slates must include:

- a) the statements in which the individual candidates accept their candidacy; declare, under their own responsibility, that they possess the professionalism requirements laid down in the Bylaws, that there are no grounds for ineligibility or incompatibility, that they possess the integrity requirements established by law, and whether they possess the requirements of independence envisaged by law and in the Code;
- b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;
- c) information on the identity of the shareholders who have presented slates. The certification or statement proving ownership of the shareholding prescribed by the law in force when the slate is presented may also be produced after the filing of the slate provided that it reaches the company within the term envisaged by the regulation in force for the publication of slates by the Company;
- d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed slate that does not comply with the above provisions will be considered not filed.

In the event that, by the deadline of 25 days preceding the date of the Shareholders' Meeting, a single slate has been filed, or only slates presented by shareholders who are connected to each other pursuant to current regulations, further slates can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available the slates of candidates which have been submitted by shareholders and the accompanying documentation at its head offices, at the Italian stock exchange and on its website.

In the event of filing of more than one slate:

- the slate that obtains the highest number of votes at the Shareholders' Meeting elects two Standing Auditors and two Alternate Auditors, in the order in which they are listed in the sections of the slate;
- the minority shareholders' slate that obtains the highest number of votes among the slates presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third Standing Auditor and the third Alternate Auditor, in the order in which they are listed in the sections of the slate;
- should more than one slate obtain the same number of votes, a runoff is held on these slates among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the slate that obtains the majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a slate of the minority shareholders, the connection is relevant for the purposes of excluding the minority shareholders' elected Auditor only if this vote was crucial for the election of said auditor.

Should a single slate be presented, all the candidates included in that slate are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several slates or voting the only slate presented, the composition of the Board of Statutory Auditors, as to its standing members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of standing auditor on the slate that has obtained the highest number of votes or from within the only slate presented starting from the last candidate from that slate.

Should no slates be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a simple majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured pursuant to current legislation in force.

The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the slate presented and voted by the minority shareholders, or with the first name in the single slate presented or with the person appointed as such by the Shareholders' Meeting should no slates be presented.

Pursuant to the Bylaws, those who find themselves in an incompatible situation as defined by law, or those who have exceeded the limit on the accumulation of appointments established by current regulations may not be elected as Statutory Auditors, and if they are elected shall forfeit their position. Should an elected Statutory Auditor during his/her term of office no longer meet the requirements envisaged by the law or the By-laws, his/her office terminates.

When it is necessary to replace a Standing Auditor, the Alternate Auditor belonging to the same slate as the removed Statutory Auditor takes over. In the absence thereof, in accordance with the original order of presentation, the candidate from the same slate as the outgoing Auditor takes over, without taking the initial section into account. Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the Statutory Auditor of the minority shareholders. The Statutory Auditors appointed in this manner hold office until the following Shareholders' Meeting.

Should it be necessary to supplement the Board of Statutory Auditors:

- to replace a Statutory Auditor elected from the majority shareholders' slate, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority Shareholders' slate;
- to replace a Statutory Auditor elected from the minority shareholders' slate, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original minority shareholders' slate;
- for the simultaneous replacement of Auditors elected in the majority and the minority shareholders' slates, the appointment occurs with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the slate which each Statutory Auditor to be replaced was part of, with a number of Statutory Auditors equal to the number of ceased Statutory Auditors belonging to the same slate.

Where it is not possible to proceed as described above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors shall decide by relative majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle according to which the minority shall always be entitled to appoint one Standing Auditor and one Alternate Auditor. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the Statutory auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

Pursuant to the Code, the Statutory Auditors are chosen from among people who may qualify as independent also on the basis of criteria established by said code for Directors.

Composition and operation of the Board of Statutory Auditors

The Board of Statutory Auditors, in office for the duration of three financial years up to the approval of the financial statements at December 31, 2019, was appointed by the Shareholders' Meeting on April 19, 2017 and is made up of Francesco Di Carlo, Chairman, Angelo Casò and Luciana Ravicini. The Alternate Auditors are Paolo Ludovici, Alberto Giussani, and Giovanna Rita.

The Board of Statutory Auditors in office was appointed using the slate voting system: Angelo Casò, Luciana Ravicini, Alberto Giussani and Giovanna Rita were selected from the majority slate submitted by Compagnia Fiduciaria Nazionale S.p.A.; Francesco Di Carlo and Paolo Ludovici were selected from the minority slate submitted by various institutional investors (Amber Capital UK LLP, Fidelity Funds International and RWC Asset Management LLP). The slates are available in the "Governance/Shareholders' Meeting Archive/2017" section of the Company's website. Further detailed information on the Board of Statutory Auditors is provided in the table set out at the end of this Report.

All members are independent pursuant to the CLF and also possess all the independence requirements laid down by the Code for Directors. The Board of Statutory Auditors checks the existence of the independence requirements annually. The continuation of the requirements was last checked also by the Board of Directors on February 14, 2019.

In compliance with the provisions on gender quotas, one third of the positions are reserved for the less represented gender.

The curriculum vitae of each Standing Auditor is available in the "Governance/Organisation" section of the website www.italmobiliare.it and also provided in the incipit of the Annual Financial Report together with the offices they hold.

The Board of Statutory Auditors, in 2018, held a total of 11 meetings with an average duration of around two hours, in the presence of all its members, in addition to participating in all the meetings of the Company's Board Committees. The independent auditor KPMG, the Chief Executive Officer, the Manager in Charge, the Head of Internal Audit and other department managers of the Company were invited to participate in the meetings of the Board of Statutory Auditors to provide appropriate insights on the items placed on the agenda each time.

For 2019 the Board has planned 14 meetings.

The Board of Statutory Auditors, pursuant to the CLF, oversees: i) compliance with the law and the Bylaws; ii) compliance with correct administration standards; iii) the adequacy of the Company's organisational structure as regards the aspects within its remit, the internal control system and the administrative-accounting system, as well as the reliability of the latter in correctly representing the management operations; iv) the methods of actual implementation of the corporate governance rules laid down in the Corporate Governance Code to which the Company adheres; v) the adequacy of the instructions given by the Company to the subsidiaries to ensure the correct fulfilment of the reporting obligations laid down by law.

Moreover, pursuant to art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors, as the "Internal Control and Auditing Committee" is responsible for:

- a) informing the Board of Directors of the outcome of the external audit, sending it the additional report prepared by the independent auditor accompanied by any observations;
- b) monitoring the financial disclosure process and presenting recommendations or proposals intended to ensure its integrity;
- c) checking the efficiency of the internal quality control and business risk management systems and of the internal audit, as regards the financial reporting of Italmobiliare, without infringing their independence;
- d) monitoring the statutory audit of the financial statements and the consolidated financial statements, also taking into account any results and conclusions of the quality checks carried out by Consob;
- e) checking and monitoring the independence of the independent auditor, in particular as regards the adequacy of the provision of services other than the audit;
- f) the procedure to select the external auditors or independent auditors, recommending to the Shareholders' Meeting, once the selection is complete, the external auditors or independent audit firms on which to confer the assignment.

The Chairman of the Board of Directors has arranged for the Statutory Auditors to participate in the most appropriate forms in initiatives aimed at providing them with adequate knowledge of the sector in which the Company operates, the company dynamics and their evolution, the correct risk management principles and the regulatory and self-regulatory framework of reference. In particular, in 2018, Statutory Auditors were able to participate in the induction meetings organised by the Company for the directors and to hold meetings with the Chief Executive Officer for the purpose of exchanging information.

The remuneration of Statutory Auditors is commensurate with the commitment required, the relevance of their role and the size and sector-related characteristics of the business.

The Company requires a Statutory Auditor who, on his or her own behalf or on behalf of third parties, has an interest in a specific Company transaction, to promptly and exhaustively inform the other Statutory Auditors and the Chairman of the Board of Directors about the nature, terms, origin and extent of such interest.

In performing its activities, the Board of Statutory Auditors coordinated with Internal Audit and with the Risks and Sustainability Committee. This coordination is guaranteed by the attendance of the Board of Statutory Auditors at all meetings of the Risk and Sustainability Committee, further ongoing exchanges of information between the chairmen of the two

corporate bodies as necessary, regarding issues of interest to both, and frequent meetings with the Head of Internal Audit at meetings of the Board of Statutory Auditors and those of the Risks and Sustainability Committee.

Diversity policies

The composition of the Board of Statutory Auditors has evolved over time in accordance with best practices, in order to ensure adequate representation in terms of experience, age and gender. The Company has not approved specific diversity policies relating to the composition of the Board of Directors and the Board of Statutory Auditors but, in light of the recommendations of the Code, it reserves the right to assess this aspect in the broader context relating to the adoption of a Group policy on this matter, also in view of the renewal of the corporate bodies scheduled to take place in 2020.

V. RELATIONS WITH SHAREHOLDERS

The Company acts to establish continuous dialogue with Shareholders, and with the market, in compliance with the laws and regulations on the disclosure of inside information. The Company's behaviour and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

With regard to market relations, the Chairman and the Chief Executive Officer - Chief Operating Officer, within their respective responsibilities, provide the guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. The Investor Relations department was established for this purpose.

To provide timely and easy access to information concerning the Company and to allow Shareholders to exercise their rights in an informed manner, a specific section was created on the website, which is easy to identify and access, and that contains information on the Shareholders' Meetings, with particular reference to the procedures for participating and exercising the right to vote at Shareholders' Meetings, documentation relating to the items placed on the agenda, including the reports on the items on the agenda and the slates of candidates for the offices of Director and Statutory Auditor, indicating their personal and professional characteristics.

Shareholders' Meeting

The Shareholders' Meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases. The majorities required to amend the Bylaws are those established by law.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of Shareholders and to facilitate the exercise of voting rights.

The Board of Directors reports to the Shareholders' Meeting on the activities performed and planned and acts to ensure that the Shareholders have adequate information to allow them, with knowledge of the facts, to make the decisions within the remit of the shareholders' meeting.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on single call, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meetings proceedings of each call.

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may ask, within the deadlines envisaged by the law in force, for the items on the agenda of the shareholders' meeting to be supplemented, stating in their request which further issues are being suggested or for further resolutions' proposals on the items already on the Agenda.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

Shareholders' meeting regulations have not been adopted as the extensive powers attributed to the Chairman under case law and doctrine, and under the statutory provision (art. 13) that expressly attributes this figure the power to direct the discussion and establish order and the voting methods, as long as they are clear, are deemed adequate enough to ensure the orderly conduct of the Shareholders' Meetings.

In 2018 the ordinary session of the shareholders' meeting was convened on April 18 to resolve on the following agenda:

- 1) Reports of the Board of Directors and the Board of Statutory Auditors on operations in 2017: examination of the financial statements at December 31, 2017; consequent resolutions;
- 2) Remuneration Report;
- 3) Authorisation to purchase and dispose of the company's own shares, after revocation of the authorisation resolved by the Ordinary and Extraordinary Shareholders' Meeting on April 19, 2017: related and consequent resolutions;
- 4) Resignation of a Director; related and consequent resolutions.

VI. PROCEDURES, CODES OF CONDUCT AND OTHER CORPORATE GOVERNANCE PRACTICES

Procedures for managing inside information and the insider list

On November 29, 2016 the Board of Directors of the Company, following the entry into force of EU Regulation 596/2014 (market abuse regulations) and the relative applicable provisions, approved a procedure for managing inside information, that is information of a specific nature, not yet made public, directly or indirectly concerning Italmobiliare or the related financial instruments and capable, if made public, of having a significant effect on the price of the listed financial instruments issued by Italmobiliare, or on the prices of connected derivative instruments. The procedure, available on the Company's website in the "Governance/Documentation" section, was last updated in 2018 for the purpose, inter alia, of incorporating the Consob Guidelines on inside information and relevant information, as well as the provisions of Legislative Decree 107/2018.

The rules of conduct and principles set out in the procedure aim to:

- guarantee the utmost confidentiality of the inside information and relevant information (namely information likely to become inside information later, or even soon), balancing the interest in ensuring the confidentiality of the information during its gradual formation with the duty to ensure non-selective disclosure;
- protect investors and market integrity, preventing situations of information asymmetry and preventing some subjects from using non-public information to operate on the markets;
- define the process for identifying and managing relevant information;
- define the processes for identifying and managing inside information;
- protect the Company in relation to any liability it might incur as a result of unlawful conduct involving market abuse adopted by persons traceable to the Company and, in more general terms, as a result of conduct that violates the principle of confidentiality.

The Procedure is an essential component of the Company's Internal Control and Risk Management System and of the overall system for preventing offences referred to in Legislative Decree 231/2001 and, in particular, in the Organisational Model adopted by the Company for this purpose.

The rules of procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

With the entry into force of the market abuse regulations (MAR), the Company also adopted a new procedure for registering individuals with access to inside information (insider list procedure) which is strictly linked to internal regulations on the management and disclosure to the public of inside information. The procedure, also updated in 2018, was adopted in order to fulfil the obligation to draw up a list of people who, based on their work or professional activities, or on the basis of the functions they perform, have access to inside information concerning Italmobiliare. It is available on the Company's website in the "Governance/Documentation" section.

Code of conduct on internal dealing

The code of conduct on internal dealing, adopted by the Company in 2016 in compliance with the MAR and last amended on July 31, 2018, governs the conduct and information obligations relating to transactions involving financial instruments issued by the Company

carried out by “relevant persons” – identified as Directors, Statutory Auditors of the Company and key management personnel – and people closely related to them, or by those who hold a number of shares amounting to or exceeding 10% (ten per cent) of the Company's share capital, represented by shares with voting rights, as well as any other controlling entity of the Company.

The code of conduct is an essential component of the Company's Internal Control and Risk Management System and of the overall system for preventing offences referred to in Legislative Decree 231/2001 and, in particular, in the Organisational Model adopted by Italmobiliare for this purpose.

According to the provisions of the code, the reporting obligation applies if the overall amount of the transactions involving Italmobiliare shares has reached the threshold of 20,000 euros per annum. More specifically, it applies to all subsequent transactions once a total of 20,000 euros has been reached during any calendar year.

The code of conduct also stipulates that relevant persons and persons closely related to them must abstain from carrying out transactions on the listed financial instruments issued by Italmobiliare in the 30 calendar days prior to the Board of Directors meeting of Italmobiliare called to approve the financial statements for the year and the interim report, up until the publication of the press release pertaining to the results.

The Code is available on the Company's website www.italmobiliare.it in the “Governance/Documentation” section.

Interests of the directors and transactions with related parties

On November 12, 2010, the Company's Board of Directors, having obtained the favourable opinion of the specifically appointed Committee for Transactions with Related Parties, adopted the Related Parties Transactions Procedure, according to the provisions laid down by Consob in the Regulation of March 12, 2010.

The Procedure aims to ensure that transactions implemented with related parties and with subjects comparable to them, directly or through the subsidiaries of Italmobiliare, are carried out in a transparency way and in compliance with the criteria of substantial and procedural correctness, also in order to facilitate the identification and allow the adequate management of situations in which a Director has an interest, on his/her own behalf or on behalf of third parties.

The Procedure was initially amended in 2013 with the extension of the correlation scope to members of the Supervisory Body and the introduction of a differentiation between the minimum thresholds to assess relevance for transactions in which the counterparty is a natural person and those in which the counterparty is a legal entity.

It was then updated in 2014 to confirm the Company's commitment to adhere to the best practice rules and the guidelines of the Supervisory Authority. The main changes concern: specification of the notion of ordinary transaction; identification of some correlation indexes which would permit specific monitoring by the Company of transactions implemented with counterparties who are not formally related but who, on a substantial level, could influence the decision-making process; the provision of an informative quarterly report for members

of the Committee on the transactions implemented with counterparties with a correlation index; the provision of the power of the Committee to identify – on the basis of significance indexes relating to transactions implemented with counterparties with a correlation index – the transactions to be submitted preventively to the preliminary procedure established for transactions of lesser importance.

In 2018, the Board of Directors, having obtained the favourable opinion of the Committee for Transactions with Related Parties, made up of the independent directors Valentina Casella, Chairman, Elsa Fornero and Mirja Cartia d'Asero, further updated the Procedure in light of the changed operating context of Italmobiliare S.p.A. and its subsidiaries, following, inter alia, the sale of Italcementi and the acquisition of Clessidra SGR S.p.A. The Committee discussed this at two meetings, each of which lasted on average one and a half hours, in the presence of the Board of Statutory Auditors.

The main changes introduced in 2018 regard the aspects outlined below.

The application of the Procedure was extended, under the same terms set for related parties, to the new category of “identified parties” which includes, in addition to the members of the Supervisory Body of the Company, each mutual fund, foundation or non-profit association, established and/or managed by, or in any case referable or connected to related parties, as well as each entity that participates together with the Company, or with one or more subsidiaries of the company, in joint ventures of significant economic importance for the Company.

In relation to the already existing category of subjects with a correlation index (now called ‘parties with a correlation index’), to whom the Procedure already applied, the direct application of control measures for transactions of lesser importance has been established, where the single transaction with a party with a correlation index exceeds the amount of 750,000 euros, or where transactions accumulated with the same party with a correlation index exceed the amount of 1,500,000 euros per annum.

As regards ordinary transactions, the ‘ordinary investment transactions’ category has been introduced, which includes transactions in which the company subscribes to shares in mutual funds established and/or managed by, or in any case referable or connected to, related parties; as is the case for ordinary transactions, ordinary investment transactions can also be exempt from application of the Procedure where certain conditions specifically identified exist cumulatively.

The definition of ‘small amount transactions’ has been supplemented, exempted from the application of the Procedure, in that, leaving untouched the thresholds of 300,000 euros per single transaction with natural persons and 500,000 euros per single transaction with legal persons, it is specified that, per annum, the total amounts of 600,000 euros and 1,000,000 euros, respectively, for transactions with the same counterparty may not be exceeded; it was then clarified that the application of the mentioned thresholds for legal persons includes professional associations.

The Procedure distinguishes ‘transactions of greater importance’ from those of ‘lesser importance’ on the basis of specific criteria predetermined by Consob. This distinction serves to determine the applicable transparency rules, which are more simplified for cases of transactions of lesser importance and more strict for transactions of greater importance. Both types of transactions require the prior opinion of the Committee for Transactions with

Related Parties.

This Committee has: the duty of expressing a justified opinion on transactions, both of lesser importance (non-binding opinion) and those of greater importance (binding opinion); the right to participate in the negotiation phase and the investigation phase of transactions of greater importance through the receipt of a complete and timely flow of information and the right to request information and make observations to the delegated bodies and the persons appointed to conduct the negotiations or investigation; the right to be assisted, at the Company's expense, by independent experts of its choice.

In the case of transactions of lesser importance, the Procedure provides the possibility of implementing the transaction even if the Committee expresses a negative opinion, as long as this is disclosed to the market in a specific document that also justifies the reasons for this decision.

The Company's Bylaws also provide (i) for the possibility that transactions of greater importance with related parties may be completed, despite the negative opinion of the Committee, as long as the completion of these transactions is authorised by the Shareholders' Meeting, on the condition that the majority of the non-related voting shareholders do not vote against the transaction and that the non-related shareholders in attendance at the Shareholders' Meeting represent at least 10% of the share capital with voting rights ("whitewash"); (ii) the right for the Company to use the emergency procedure in cases where the transaction is not within the remit of the shareholders' meeting and does not have to be authorised by the same.

The Procedure does not apply, *inter alia*, to ordinary transactions (carried out within the ordinary course of business and related financial activities of the Company and the Group in general) as long as they are concluded at market or standard equivalent terms; to ordinary investment transactions, in the presence of certain conditions; to transactions with or between subsidiaries or with associated companies, unless other related parties of the company have significant interests in the subsidiaries or associated companies that are counterparties in the transaction; urgent transactions outside the remit of the Shareholders' Meeting.

The Procedure is available on the Company's website www.italmobiliare.it in the "Governance/Documentation" section.

Without prejudice to the provisions contained in the aforementioned Procedure, also pursuant to the code of ethics adopted by Italmobiliare, the members of the corporate bodies must refrain from engaging in actions that could harm Italmobiliare and from participating in the approval of resolutions by the body to which they belong regarding matters which present even potential conflicts of interest.

Code of ethics

The Company introduced the code of ethics for the first time in 1993 and since then it has been amended and updated. In 2018 a new text was adopted, approved by the Board of Directors at the meeting on November 8, 2018.

The code of ethics is the set of values and principles underlying Italmobiliare's business and establishes its rules of behaviour and conduct. For the Company and its subsidiaries it represents a solid platform of values, a necessary condition to guarantee constructive dialogue with all interested parties and it reaffirms the defence of ethical principles and legality as an essential asset for doing business.

The main subsidiaries of the Group (Sirap Gema S.p.A., Italgen S.p.A., Caffè Borbone S.r.l., Clessidra SGR S.p.A.) have in turn adopted their own code of ethics.

General Data Protection

During the course of the year, the Company implemented the activities necessary to adapt to Regulation (EU) 2016/679 - General Data Protection Regulation (GDPR).

The Data Controller is identified as the Company, represented by the Chief Executive Officer, assisted by a 'Data Protection Committee' made up of three internal managers. Whereas a Data Protection Officer has not been designated, as the appointment of this figure is not mandatory in that Italmobiliare does not handle sensitive, health-related or legal data nor does it monitor or regularly and systematically handle large-scale personal data.

The Company has implemented the provisions laid down in the GDPR by adopting certain governance tools, such as:

the "organisational" model, which identifies the 'Data Protection Committee' as the GDPR guidelines and governance body; the internal contact persons and the internal/external subjects authorised to perform processing as the executive body, leaving the control functions to the Internal Audit department (and to the governmental authorities responsible for this);

the "operating model" containing the implementing provisions (such as, for example, the information notices and requests for consent to process data, the procedures for security and data breach/protection measures);

the "architectural model" for common data, particular categories of data and for data relating to criminal convictions and offences, checking for the applications and infrastructure in place the existing physical/logical security measures with respect to the requirements laid down in the new legislation.

The Board of Directors and the Board of Statutory Auditors were informed about the recommendations made in the letter dated December 21, 2018 from the Chairman of the Corporate Governance Committee. As indicated in the Report, at the meeting on February 14, 2019 the Board made a specific assessment on the adequacy of the information provided prior to Board Meetings.

Unless otherwise indicated in the preceding sections, as of the close of the financial year 2018 no changes occurred that significantly affect the content of this Report.

STRUCTURE OF THE BOARD AND OF THE COMMITTEES

Board of Directors													Risks and Sustainability Committee		Remuneration and Nomination Committee		Committee for Transactions with Related Parties		Executive Committee		
Position	Members	Year of birth	Date of first appointment *	In office since	In office until	State **	Exec.	Non-exec.	Indep. Code	Indep. CLF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman	Laura Zanetti	1970	14.11.2013	19.04.2017	Fin.Stat. 2019	M		•		•	1										C
Deputy Chairman	Livio Strazzera	1961	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•		•	1										M
Chief Executive Officer •◇	Carlo Pesenti	1963	17.06.1999	19.04.2017	Fin.Stat. 2019	M	•				2										M
Director	Vittorio Bertazzoni	1976	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•	•	2					M					
Director	Giorgio Bonomi	1955	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•			0			M							
Director	Mirja Cartia d'Asero	1969	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•	•	1			C					M		
Director	Valentina Casella	1979	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•	•	0			M					C		
Director	Elsa Fornero	1948	27.07.2017	27.07.2017	Fin.Stat. 2019			•	•	•	2								M		
Director	Sebastiano Mazzoleni	1968	25.05.2011	19.04.2017	Fin.Stat. 2019	M		•			0										
Director	Luca Minoli	1961	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•			3										M
Director	Chiara Palmieri	1970	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•	•	1					M					M
Director	Clemente Rebecchini	1964	25.05.2011	19.04.2017	Fin.Stat. 2019	M		•		•	1										
Director	Antonio Salerno	1974	19.04.2017	19.04.2017	Fin.Stat. 2019	m		•	•	•	0										
Director	Paolo Domenico Sfameni	1965	25.05.2011	31.07.2018	Fin.Stat. 2018	M		•	•	•	4					C					

DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE FINANCIAL YEAR																			
Director	Massimo Tononi	1964	27.5.2014	19.04.2017	25.7.2018	M		•	•	•							M		M
Number of Board meetings held during the financial year of reference: 10					Risks and Sustainability Committee: 9					Remuneration and Nomination Committee: 2					Committee for Transactions with Related Parties: 2		Executive Committee: 1		
Quorum required for minorities to submit slates to elect one or more members (pursuant to Art. 147-ter CLF): 1%																			

NOTES

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

◇ This symbol indicates the main person responsible for managing the issuer (Chief Executive Officer or CEO).

* Date of first appointment of each director means the date on which the director was appointed for the first time (overall) to the BoD of the issuer.

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

*** This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, in finance, banking, insurance or other sizeable companies.

(*). This column indicates the attendance of directors at the meetings respectively of the BoD and the committees

(**). This column shows the status of the Director within the Committee: "C": Chairman, "M": member.

BOARD OF STATUTORY AUDITORS

Position	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Indep. Code	Attendance at Board meetings ***	No. of other offices ****
Chairman	Francesco Di Carlo	1969	25.05.2011	19.04.2017	Fin.Stat. 2019	m	•	100%	3, of which 1 is listed
Standing auditor	Angelo Casò	1940	25.05.2011	19.04.2017	Fin.Stat. 2019	M	•	100%	7
Standing Auditor	Luciana Ravicini	1959	27.05.2014	19.04.2017	Fin.Stat. 2019	M	•	100%	15
Alternate Auditor	Alberto Giussani	1946	19.04.2017	19.04.2017	Fin.Stat. 2019	M	•	-	
Alternate Auditor	Giovanna Rita	1973	19.04.2017	19.04.2017	Fin.Stat. 2019	M	•	-	
Alternate Auditor	Paolo Ludovici	1965	25.05.2011	19.04.2017	Fin.Stat. 2019	m	•	-	
Number of meetings held during the year: 11									
Quorum required to submit slates by the minority parties for election of one or more members (pursuant to Art. 148 of the CLF): 1%									

NOTES

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of the issuer.

** This column indicates the slate from which each statutory auditor was chosen (“M”: majority slate; “m”: minority slate).

*** This column indicates the attendance of statutory auditors at the meetings of the board of statutory auditors.

**** This column indicates the number of offices as director or statutory auditor held by the person concerned, considered significant pursuant to Article 148 bis of the CLF and the relative implementing provisions contained in the Consob Issuers’ Regulation.