



# **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**

Pursuant to article 123 *bis* Consolidated Financial Act (TUF)

(administration and control traditional model)

Company: CEMBRE S.P.A. - Via Serenissima, 9 – 25135 Brescia  
Website: [www.cembre.it](http://www.cembre.it)

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## GLOSSARY

**Corporate Governance Code:** the Corporate Governance Code (Codice di Autodisciplina, hereinafter also the “Code”) of listed companies issued in July 2018 by the Committee for the Corporate Governance of Listed Companies and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the institutional website of the Italian Stock Market [www.borsaitaliana.it](http://www.borsaitaliana.it), in the Italian Stock Market (Borsa Italiana) – Regulations – *Corporate Governance* section.

**Civil Code/ C.C.:** the Italian Civil Code.

**Board or Board of Directors:** the Company’s Board of Directors.

**Issuer, Company or Cembre:** the issuer of listed stock to which the Report makes reference.

**Financial year:** the financial year to which the Report refers.

**Rules for the Implementation of Stock Market Regulation:** Rules for the Implementation of Regulations for Markets organized and managed by Borsa Italiana S.p.A.

**Stock Market Regulation:** Regulation for Markets organized and managed by Borsa Italiana S.p.A.

**Consob Issuers’ Regulation:** Rules issued by Consob with Resolution no. 11971 of 1999 on listed companies (as subsequently amended).

**Consob Market Regulation:** Rules issued by Consob with Resolution no. 20249 of 2017 on markets.

**Consob Related Parties Regulation:** Rules issued by Consob with Resolution no. 17221 dated March 12, 2010 (as subsequently amended) on markets.

**Report:** the report on corporate governance that companies are required to prepare pursuant to article 123bis Consolidated Financial Act (*Testo Unico Finanza*).

**Report on Remuneration:** the Report on Remuneration prepared pursuant to article 123-ter Consolidated Financial Act (*Testo Unico Finanza*) and article 84-*quater* Consob Issuers’ Regulation, available pursuant to the Law at the company’s registered office, at the Italian Stock Market and on the company’s institutional website [www.cembre.it](http://www.cembre.it) in the *Investor Relations* section.

**TUF (FINANCE ACT, TESTO UNICO DELLA FINANZA):** Legislative Decree no. 58 of February 24, 1998.

## 1. PROFILE OF THE COMPANY

The Company, founded in 1969, has registered office in Brescia and designs, manufactures and distributes electrical compression connectors and installation tooling, a sector in which it enjoys a leadership position in Italy and gained significant market shares in Europe. Cembre is one of the world's leading manufacturers of tools (mechanical, pneumatic and hydraulic) for the installation of connectors and the shearing of cables.

Cembre has been listed on the Italian Stock Exchange since December 15, 1997, and on the STAR section since September 24, 2001.

The Company qualifies as a PMI pursuant to article 1, comma 1, letter *w-quarter.1)* of TUF and article 2-*ter* of the Consob Issuers' Regulation as it falls within the parameters specified by the norm.

Cembre is controlled by Lysne S.p.A., a company with registered office in Brescia, with a 53.687% share. Parent company Lysne S.p.A. is owned by the Rosani family, while no entity controls Lysne S.p.A. pursuant to article 93 of TUF.

The Company is organized along traditional administration and control lines, as described in articles 2380-*bis* and following of the Italian Civil Code, and has a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

## 2. INFORMATION on OWNERSHIP STRUCTURE (ex art. 123-*bis*, TUF) as of December 31, 2018

### a) Share capital structure (art. 123-*bis*, comma 1, par. a), TUF)

Share capital fully underwritten and paid-up is currently €8,840,000.00

Classes of shares:

	No. of shares	of share capital	Nominal value	Listed (market) / not listed
Ordinary shares	17,000,000	100	0.52	Italian stock market/ STAR segment

Each share gives right to one vote.

Rights and obligations of Shareholders are those prescribed in articles 2346 and following of the Civil Code. See also paragraph 16 of the present Report.

### b) Share transfer restrictions (art. 123-*bis*, comma 1, par. b), TUF)

No restriction exists on share transfer.

### c) Significant shareholdings (art. 123-*bis*, comma 1, par. c), TUF)

As specified in paragraph 1 above, the Company qualifies as a PMI pursuant to article 1, comma 1, letter *w-quarter.1)* of TUF and article 2-*ter* of the Consob Issuers' Regulation as it falls within the parameters specified by the norm. The threshold for communicating the existence of significant shareholdings pursuant to article 120, TUF is 5% of the voting shares (article 120, comma 2, last paragraph, TUF).

At December 31, 2018 and at the date of this Report, Shareholders of the Company holding, either directly or indirectly, significant interests (i.e. over 2%) in the share capital, through pyramidal ownership structures of cross shareholdings, as resulting from the shareholders register, communications made pursuant to article 120 TUF and other information available to the Company, are shown in the table below:

Declarer	Direct shareholder	% of ordinary capital	% of voting capital
Lysne S.p.A.	Lysne S.p.A.	53.687	53.687
Giovanni Rosani	Giovanni Rosani	8.529	8.529
Sara Rosani	Sara Rosani	8.647	8.647

**d) Securities carrying special rights (art. 123-bis, comma 1, par. d), TUF)**

None of the Company shares carries special rights.

The By-laws of the Company do not contain provisions relating to increased voting powers of shares pursuant to article 127-quinquies, TUF.

**e) Employee share ownership: mechanism to exercise voting rights (art. 123-bis, comma 1, par. e), TUF)**

No specific mechanism is provided to exercise voting rights in case of employee share ownership.

**f) Restrictions to exercise voting rights (art. 123-bis, comma 1, par. f), TUF)**

No restrictions to exercise voting rights exist.

**g) Shareholders agreements (art. 123-bis, comma 1, par. g), TUF)**

The Company is aware of the existence of an agreement among Shareholders, relevant pursuant to article 122 TUF, having as the object shares of Lysne S.p.A., the company that controls Cembre S.p.A. pursuant to article 93 TUF.

Said agreement, entered into on December 21, 2005 and amended on March 19, 2010, sets forth a voting syndicate and a block syndicate, providing thus for restrictions to the exercise of vote and limitations to the free disposal of shares bound by the agreement.

The agreement involves 597,500 shares of Lysne S.p.A. (representing 58.578% of its share capital) of which 520,500 shares (representing 51.028% of the share capital) are subject to both syndicates, and 77,000 shares (representing 7.550% of the share capital) are subject only to the block syndicate.

The owners of the shares bound by the agreement are:

- Giovanni Rosani, owner of 260,250 shares subject to both syndicates, and 38,500 shares subject only to the block syndicate;

- Sara Rosani, owner of 260,250 shares subject to both syndicates, and 38,500 shares subject only to the block syndicate.

For further information we refer to CONSOB's Internet site [www.consob.it](http://www.consob.it) or that of the Company [www.cembre.it](http://www.cembre.it) in the *Investor Relations – Shareholder Agreements* section.

**h) Changes to the Company's By-laws (art. 123-bis, comma 1, par. l), TUF)**

Amendments to the Company's By-laws are regulated by applicable laws in force.

Pursuant to article 18 of the By-laws, the following powers are attributed to the Board of Directors:

- a) merger resolutions, in the cases described in articles 2505 and 2505-bis, of the Civil Code;
- b) business split resolutions pursuant to the joint provisions of articles 2506-ter and 2505-bis, of the Civil Code;
- c) a capital stock reduction in the case of the withdrawal of a Shareholder;
- d) changes to the By-laws in compliance with new regulations;
- e) the transfer of the Registered Office to another location on the national territory;

**i) Proxies for share capital increase and authorization to purchase own shares (art. 123-bis, comma 1, par. m), TUF)**

In the course of the year, the Board did not receive a proxy by the Shareholders' Meeting to execute share capital increases pursuant to article 2443 of the Civil Code, or to issue financial instruments involving participation in the share capital.

The Shareholders' Meeting held on April 26, 2018, after revoking the authorization previously given by the same on April 20, 2017, authorized the Board, pursuant to articles 2357 and following of the Civil Code and

to article 132 TUF, to acquire shares of the Company with the end of providing the same with strategic investment opportunities to any end allowed by current regulations, including reasons contemplated in article 5 of EU Regulation no. 596/2014 (*Market Abuse Regulation*, hereinafter “**MAR**”) and in practices allowed under article 13 of MAR.

In particular the Shareholders’ Company resolved:

- to authorize, pursuant and to the purposes of article 2357 of the Italian Civil Code, the purchase, in one or more instalments for a period of 18 months from the date of the present resolution, of Cembre ordinary shares, up to a maximum number so that own shares held by Cembre S.p.A. and if applicable its subsidiaries do not exceed the maximum limit established by applicable regulations, for a consideration that shall not exceed the higher between the price at which the last independent transaction was concluded and the last independent bid price in the market in which the purchase is carried out. For any single purchase, such price per share shall in any case not be more than 20% lower or higher than the closing price registered by Cembre shares on the previous trading day;
- to mandate the Board of Directors, and in its place also its Chairman and Managing Director or its Vice President, jointly and severally, to determine the number of shares to be purchased according to each purchase plan, for the purposes of the above mentioned ends, prior to the start of the purchase program and to proceed with the purchase of shares in the manner established in the applicable provisions of Consob Regulation 11971/1999 (as subsequently amended) in implementation of art. 132 of the TUF, in compliance with the conditions and restrictions relating to the negotiation pursuant to arts. 3 and 4 of the Delegated Regulation (EU) 2016/1052 and with the graduality deemed appropriate in the interest of the Company, attributing every broader powers for the execution of the purchase transactions that are the object of the present mandate and any other formality necessary for the same, including the giving of mandates to registered intermediaries and the appointment of special attorneys;
- to authorize the Board of Directors, and for the same its Chairman and Managing Director or Vice President, jointly or severally, pursuant to and for the purposes of articles 2357-*ter* of the Civil Code to dispose, in full or in part, in one or more instalments, of own shares acquired pursuant to the present resolution, or in any event in the Company’s portfolio, through the sale of the same on or outside the stock market, including through the sale of rights in rem or personal rights (e.g. the loan of securities), in compliance with applicable regulations in force at the time and for the pursuit of the purposes that are the object of the present resolution, setting the terms, procedures and conditions for the disposal of own shares deemed most appropriate in the interest of the Company, attributing the widest powers in the execution of the transactions that are the object of the present resolution, in addition to any other formality necessary for the same, including the giving of mandates to registered intermediaries and the appointment special attorneys; disposals of treasury shares held will in any case be carried out in compliance with the laws and regulations in force concerning the execution of trading of listed securities, including the practices permitted pursuant to art. 13 MAR, and may take place in one or more transactions, and with the graduality deemed appropriate in the interest of the Company; the authorization to sell treasury shares is granted without a time limit.

The same Shareholder’s Meeting resolved also, pursuant to current regulations, that purchases of own shares be contained within the limits of distributable reserves resulting from the last approved financial statements (also interim reports) at the time of the transaction and that, upon the purchase and sale of own shares, the necessary entries in accounting records are made in compliance with applicable regulations and accounting principles.

At its meeting held on May 14, 2018, the Board of Directors resolved:

- to approve the initiation of an own share purchase plan under the terms and conditions and with the procedures pursuant to shareholders’ resolution of April 26, 2018 for a maximum of 850,000 ordinary Cembre S.p.A. shares for a total consideration that shall not exceed €10,000,000;
- to vest the Chairman and Managing Director with all of the broadest powers for the execution of all formalities and obligations, also relating to disclosures, including the power to formalize the engagement with an intermediary qualified pursuant to the law, with regard to carrying out transactions on Cembre S.p.A. own shares under the terms and conditions pursuant to the previous point.

At the date of the present Report, the Company holds 280,041 treasury shares, representing 1.647% of the Company's share capital.

**l) Change of control cause (art. 123-bis, comma 1, par. h), TUF) and provisions contained in the By-laws pertaining to public offers to purchase stock (articles 104-comma 1-ter and 104-bis comma 1, TUF)**

The Company and its subsidiaries have not entered into any agreement which includes a clause coming into force or being terminated in the event of change of control.

The provisions of the By-laws do not make exceptions to passivity rules contemplated in articles 104, commas 1 and 1-bis, TUF. It is also acknowledged that the By-laws of the Company do not provide for the application of the neutralization rules contemplated in article 104-bis, commas 2 and 3 of TUF.

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With reference to further information as per article 123-bis TUF, we refer to specific paragraphs further on in the present Report, as indicated below:

- with regard to information on the appointment and replacement of Directors (art. 123-bis, comma 1, par. l), section 1) see paragraph 5.1 below;
- with regard to information on possible agreements between the Company and Directors that provide for indemnities in case of resignation or firing without just cause, or in case employment terminates following a public offer (art. 123-bis, comma 1, par. i), please see paragraph 9 below;
- with regard to information on main characteristics of the risk management and internal control systems (art. 123-bis, comma 2, par. b)) please see paragraphs 10 and 11 below;
- with regard to information on the functioning of Shareholders' Meetings, on powers of the same, Shareholder rights and their exercise (art. 123-bis, comma 2, par. c)), please see paragraph 16 below;
- with regard to information on the composition and functioning of corporate, administration and control boards and the related committees (art. 123-bis, comma 2, par. D and d-bis)), please see paragraphs 5, 7, 8, 10, 13 and 14.

### **3. COMPLIANCE**

The Company adopted the Code. The Code is published on the Italian Stock Market web site [www.borsaitaliana.it](http://www.borsaitaliana.it).

Cembre S.p.A. and its subsidiaries are not subject to non-Italian law provisions which may affect the structure of the Company's corporate governance.

### **4. MANAGEMENT AND COORDINATION ACTIVITY**

Though under the control of Lysne S.p.A. for the purposes of article 2359 of the Civil Code, the Company does not deem itself to be subject to the management and coordination of its parent pursuant to article 16 of Consob Market Regulation.

The Company deems to operate under full corporate and management autonomy from its parent Lysne S.p.A. In particular, as a non-exhaustive example, the Company manages autonomously its own treasury and relationships with its customers and suppliers, and does not make use of any service provided by its parent company.

Relationships with Lysne S.p.A. are limited to the normal exercise by the same of administrative and ownership rights pertaining to its quality of shareholder.



## 5. BOARD OF DIRECTORS

### 5.1. APPOINTMENT AND REPLACEMENT OF DIRECTORS (*ex art. 123-bis, comma 1, par. 1), TUF*)

The By-laws governing the composition and appointment of the Board (art. 15) are suitable to guarantee compliance with the regulations regarding the equal representation of both sexes in corporate boards as per article 147-ter, comma 1-ter of TUF, as introduced by Law 120/2011, and the related implementation regulations issued by Consob.

Pursuant to art. 15 of the Company's By-laws, lists of candidates to the position of Director must be deposited by Shareholders at the Company Registered Office at least 25 days prior to the date set for the Shareholders' Meeting on first or sole call.

As provided by article 147-ter, comma 1-ter of TUF, introduced by Law 120/2011, and the related implementation regulations issued by Consob, article 15, comma 5 of the By-laws states that lists containing a number of candidates equal or higher to three must be made up by candidates of both genders so that the least represented gender represents at least one fifth (upon the first appointment subsequent to August 12, 2012) and subsequently one third (as rounded up) of candidates.

Lists may be submitted only by Shareholders who represent, either individually or jointly with other Shareholders, at least 2.5% of voting rights at any Shareholders' Meeting, or any other limit established by other laws and regulations. Through management decision of the Head of the *Corporate Governance* Division no. 13 of January 24, 2019, Consob set at 2.5% of voting rights the quorum for submitting lists of candidates to the position of Director of the Company.

The mechanism for the appointment to the position of Directors of candidates in the various lists is the following:

- a) all Directors save one are drawn from the most voted list in the order in which they are listed;
- b) the second voted list that is not connected in any way with any of the Shareholders that submitted or voted the most voted list described in paragraph a) above, is used to draw a Director, in the person of the first person listed. In case the minority list referred to in paragraph b) above has not received at least half of the votes required to submit the list according to the above mentioned rules, all Directors shall be appointed from the most voted list (as in paragraph a) above);

In case through the method described above a sufficient number of Directors possessing requisites of independence equal to the minimum number required by Law as a proportion of the total number of Directors is not achieved, the non-independent candidate elected last in the most voted list, as described in paragraph a), will be replaced by the first subsequent independent candidate that has not been elected from the list or, lacking this, by the first independent candidate that has not been elected from the other lists, giving priority to the list according to the number of votes it received. The procedure is followed until the Board comprises a minimum number of Directors possessing the requisites described in article 148, comma 3, TUF, equal at least to the minimum number prescribed by Law. In case, finally, such procedure is unable to ensure the result just indicated, the replacement will take place by resolution of the Shareholders' Meeting with the quorum established by Law.

In case, moreover, the candidates elected in the manner indicated above are such that the composition of the Board of Directors does not comply with applicable regulations on the equal representation of genders, the candidate of the most represented gender elected last in the order of names in the most voted list will be replaced by the first candidate of the least represented gender that was not elected in the same list. The replacement procedure will be repeated until the composition of the Board of Directors complies with applicable regulations on the equal representation of genders. In case the above procedure still does not ensure the above stated result, the replacement will take place by resolution of the Shareholder's Meeting passed with a relative majority of votes, after the presentation of a list of candidates of the least represented gender.

In case only a single list or no list is submitted, the Shareholders' Meeting resolves with the quorum established by Law - in compliance with applicable regulations on the equal representation of genders -without following the procedure described above.

In case in the year one or more Directors leave their position, and provided the majority of the Board is still made up by Directors appointed by the Shareholders' Meeting, the following procedure is applied pursuant to article 2386 of the Civil Code:

i) the Board of Directors, after a resolution of the Board of Statutory Auditors, replaces the Director with a candidate on the same list as the one who has left office, while the Shareholders' Meeting resolves according to the quorum set by Law, following the same criteria;

ii) in case in the aforementioned list there do not remain candidates that have not already been elected, or candidates possessing the requirements for appointment, or in any case when, for whatever reason, it is not possible to comply with the procedure described in paragraph i) above, the Board of Directors, after a resolution of the Board of Statutory Auditors and subsequently the Shareholders' Meeting according to the quorum set by Law, proceeds with the replacement of the Director without making use of voted lists.

In any case, the Board and the Shareholders' Meeting proceed to the appointment so as to ensure the presence of the minimum number of independent Directors required by regulations in force.

In the event of one or more Directors leaving their position, and provided the resulting majority of the Board is still made up by Directors appointed by the Shareholders' Meeting, the latter may however resolve to reduce the number of Directors to that of Directors still in office for the duration of their term, provided a sufficient number of independent Directors remains in office to ensure compliance with applicable regulations and that the Director appointed from the minority list is still in office.

In case the majority of Directors appointed by the Shareholders' Meeting leaves office, the whole Board is considered as terminated, effective at the time of the appointment of a new Board, and a Shareholders' Meeting must be called without delay by the Directors still in office to appoint a new Board.

When the number of Directors appointed is lower than the maximum set in article 15, comma 1, of the By-laws, the Shareholders' Meeting may, throughout the term of the Board, increase the number of Directors up to the limit set in the By-laws. The appointment of further Directors will take place as follows:

i) additional Directors are appointed from the most voted list by Shareholders at the time of the appointment of Directors currently in office, drawn from candidates that are still eligible, while the Shareholders' Meeting resolves in accordance with the quorum set by Law, following the same criterion;

ii) in case no candidates remain in the most voted list, or the case provided for in comma 5, last paragraph of article 15 of the By-laws occurs, the Shareholders' Meeting proceeds to the appointment without observing the procedure described in paragraph i), with the quorum set by law and without making use of voting lists.

The Shareholders' Meeting may however resolve to reduce the number of Directors to that of Directors in office for the residual term of their mandate, subject to limits set by applicable laws and regulations regarding the composition of Board of Directors.

Where it has not already been appointed by the Shareholders' Meeting, the Board of Directors appoints one of its members as Chairman and, where deemed appropriate, one or more Vice Chairmen having vicarious powers to that of the Chairman.

### **Succession plans**

In view of the dimension and the organizational structure of the Company, in addition to the practice of appointing as Executive Director individuals who have matured a significant experience within the Company, due to the peculiarities of the sector and the need for specific competence and knowledge, at its meeting of March 11, 2019 the Board of Directors did not deem it necessary to adopt a plan for the succession of Executive Directors.

## **5.2. COMPOSITION (ex art. 123-bis, comma 2, par. d), TUF)**

The Shareholders' Meeting held on April 26, 2018 appointed the Board of Directors currently in office, made up by 8 (eight) members, on the basis of the only list of candidates submitted by the majority shareholder Lysne S.p.A. The list submitted by the majority shareholder Lysne S.p.A. obtained 13,499,035 votes in favour, equal to 98.16% of the voting capital. We remind that the share of voting rights required to submit a list for candidates to said position amounts to 2.5%.

The Board of Directors will remain in office until the date of the Shareholders' Meeting called to approve the Financial Statements at December 31, 2020.

For more information on lists of candidates to the Board of Directors submitted, we refer to the Company's institutional site [www.cembre.it](http://www.cembre.it) in the *Investor Relations* section, where curricula of Directors are published. The directors in office until the Shareholders' Meeting of April 26, 2018 were:

Name	Office held	Date of birth	In office since	In office until	List	Exec.	Non-exec.	Indep.	Indep. TUF	% BoD	Other positions*
Giovanni Rosani	Chairman and Managing Director	01/21/1974	04/23/15 (first app. 5/15/2000)	approval of Fin. Stat. at Dec. 31, 2017	M	X				100	
Anna Maria Onofri	Vice-Chairman	06/26/1940	04/23/15 (first app. 6/24/1994)	approval of Fin. Stat. at Dec. 31, 2017	M		X*			100	
Sara Rosani	Director	10/28/1971	04/23/15 (first app. 4/30/1997)	approval of Fin. Stat. at Dec. 31, 2017	M		X			100	
Aldo Bottini Bongrani	Director	03/25/1957	04/23/15 (first app. 6/24/1994)	approval of Fin. Stat. at Dec. 31, 2017	M	X				85	
Giovanni De Vecchi	Director	02/24/1940	04/23/15 (first app. 6/24/1994)	approval of Fin. Stat. at Dec. 31, 2017	M		X			100	
Fabio Fada	Director and Lead Independent Director	10/21/1965	04/23/15 (first app. 4/28/2009)	approval of Fin. Stat. at Dec. 31, 2017	M		X	X	X	100	15
Giancarlo Maccarini	Director	10/19/1955	04/23/15 (first app. 4/28/2009)	approval of Fin. Stat. at Dec. 31, 2017	M		X	X	X	100	
Paolo La Pietra	Director	12/01/1946	04/23/15 (first app. 04/23/15)	approval of Fin. Stat. at Dec. 31, 2017	m		X	X	X	100	2

\* Directors with vicarious functions as Managing Director in case of unavailability

\*\* Number of other positions at December 31, 2018 (at April 26, 2018 for directors who left office during the year)

Directors in office at December 31, 2018 were:

Name	Office held	Date of birth	In office since	In office until	List	Exec.	Non-exec.	Indep.	Indep. TUF	% BoD	Other positions*
Giovanni Rosani	Chairman and Managing Director	01/21/1974	04/26/18 (first app. 5/15/2000)	Approval of Fin. Stat. at Dec. 31, 2020	M	X				100	
Anna Maria Onofri	Vice-Chairman	07/26/1940	04/26/18 (first app. 6/24/1994)	Approval of Fin. Stat. at Dec. 31, 2020	M		X*			100	
Sara Rosani	Director	10/28/1971	04/26/18 (first app. 4/30/1997)	Approval of Fin. Stat. at Dec. 31, 2020	M		X			100	

Aldo Bottini Bongrani	Director	03/25/1957	04/26/18 (first app. 6/24/1994)	Approval of Fin. Stat. at Dec. 31, 2020	M	X				85	
Felice Albertazzi	Director	01/13/1961	04/26/18 (first app. 04/26/18)	Approval of Fin. Stat. at Dec. 31, 2020	M	X				100	
Franco Celli	Director	02/06/1958	04/26/18 (first app. 04/26/18)	Approval of Fin. Stat. at Dec. 31, 2020	M	X				100	
Paola Carrara	Director	08/05/1976	04/26/18 (first app. 04/26/18)	Approval of Fin. Stat. at Dec. 31, 2020	M		X	X	X	100	5
Fabio Fada	Director and Lead Independent Director	10/21/1965	04/26/18 (first app. 04/28/2009)	Approval of Fin. Stat. at Dec. 31, 2020	M		X	X	X	100	18

\* Directors with vicarious functions as Managing Director in case of unavailability

\* Number of other positions at December 31, 2018

LEGEND:

**Position:** state if Chairman, Deputy Chairman, Managing Director, etc.

**List:** indicate M/m, if Director was elected by majority or minority list (art. 144-*decies*, of Consob Issuers' Regulation)

**Exec.:** tick if Director can be qualified as executive

**Non exec.:** tick if Director can be qualified as non-executive

**Indep.:** tick if Director can be qualified as independent, in compliance with Code criteria: please indicate at foot of Table if the criteria have been either integrated or modified

**Indep. TUF:** tick if Director is qualified for independence in compliance with art. 148 par. 3 of TUF (art. 144-*decies*, Consob Issuers' Regulation)

**% BoD:** indicate percentage of Director's attendance to the Board's meetings (in calculating this percentage, please consider the number of meetings attended vis-à-vis the Board's meetings convened over the financial year or after taking office)

**Other positions:** indicate total of positions covered in other companies listed in regulated markets (also abroad), finance companies, banks, insurance companies, or large companies, identified on the basis of the criteria drafted by the Board of Directors.

**n.a.:** not applicable.

No change in the composition of the Board occurred in the year.

With regard to the corporate policies on diversity applied in the composition of the Board of Directors currently with respect to aspects such as age, gender composition and training and professional development (Article 123-*bis*, letter d-*bis*), TUF), it is specified that: (i) the Company's Board of Directors includes 3 Directors belonging to the less represented gender, in compliance with the legislation on gender balance; (ii) the Board is characterized by the diversity of its members, taking into account that the age of the Directors is between 43 and 79 years; (iii) the training and professional path of the Directors currently in office guarantees a balanced combination of profiles and experiences within the administrative body suitable to ensure the correct performance of its functions.

Furthermore, the Board of Directors in office until April 26, 2018 included in the explanatory reports prepared pursuant to art. 125-*ter*, TUF, relating to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting called to approve the Financial Statements at December 31, 2017, some indications for Shareholders - also pursuant to criterion 1.C.1. lett. h) of the Corporate Governance Code - regarding the diversity policy in the composition of the Company's corporate bodies. For further information we refer to the explanatory reports published on the website of the Company [www.cembre.it](http://www.cembre.it) in the *Investor Relations – Shareholders' Meetings* section.

## Committees

The committee members in office until the Shareholders' Meeting of April 26, 2018 were:

Name	Office held	EC	% EC	A.C.	% A.C.	R.C.	% R.C.	I.C.R.C.	% I.C.R.C.
Fabio Fada	Director	n.a.		n.a.		C	100	C	100
Giancarlo Maccarini	Director	n.a.		n.a.		M	100	M	100
Giovanni De Vecchi	Director	n.a.		n.a.		M	100	M	100

The committee members in office at December 31, 2018 were:

Name	Office held	EC	% EC	A.R.C.	% A.R.C.	I.C.R.C.	% I.C.R.C.
Fabio Fada	Director	n.a.		C	100	C	100
Paola Carrara	Director	n.a.		M	100	M	100

**LEGEND:**

**CE:** Executive Committee; indicate C/M if Chairman/Member of Executive Committee.

**% EC:** indicate percentage of Director's attendance to Executive Committee meetings (in calculating this percentage, please consider the number of meetings attended vis-à-vis Executive Committee meetings convened over the financial year or after taking office)

**A.C.:** Appointments Committee; indicate C/M if Chairman/Member of the Appointments Committee

**% A.C.:** indicate percentage of Director's attendance to Appointments Committee meetings (in calculating this percentage, please consider the number of meetings attended vis-à-vis Appointments Committee meetings convened over the financial year or after taking office)

**R.C.:** remuneration committee; indicate C/M if Chairman/Member of Remuneration Committee.

**% R.C.:** indicate percentage of Director's attendance to Remuneration Committee meetings (in calculating this percentage, please consider the number of meetings attended vis-à-vis Remuneration Committee meetings convened over the financial year or after taking office).

**A.R.C.:** appointments and remuneration committee; indicate C/M if Chairman/Member of Appointments and Remuneration Committee.

**% A.R.C.:** indicate percentage of Director's attendance to Appointments and Remuneration Committee meetings (in calculating this percentage, please consider the number of meetings attended vis-à-vis Remuneration Committee meetings convened over the financial year or after taking office).

**I.C.R.C.:** indicate C/M if Chairman/Member of the Control and Risks Committee

**% I.C.R.C.:** indicate percentage of Director's attendance to Control and Risk Committee's meetings (in calculating this percentage, please consider the number of meetings attended vis-à-vis Control and Risk Committee's meetings convened over the financial year or after taking office)

**n.a.:** not applicable.

We refer to paragraph 7 of this Report for further information on the composition of the Committees.

**Limits on number of positions held in other companies**

The Board of Directors did not deem it necessary to set the maximum number of managerial and administrative positions that may be considered compatible with the effective carrying out of the role of Director in the Company. Directors will be however held responsible for evaluating the compatibility of positions of Director or Statutory Auditor in other companies listed in regulated markets, banks, finance companies, insurance companies or large companies with the diligent carrying out of responsibilities and duties assumed with the position of Director in the Company.

In the course of the meeting held on March 13, 2018, the Board, upon verifying positions held by Directors of the Company in other companies, the Board has deemed the number and quality of positions held as not interfering with the position of Director in the Company and therefore compatible with an effective carrying out of the role of Director of the Company in all cases examined.

With regard to positions held at December 31, 2018 by Directors of the Company in other companies listed in the regulated markets, banks, finance companies, insurance companies and large companies, it is acknowledged that:

- Independent Director Fabio Fada holds the following positions:
  - Chairman of the Supervisory Body of NTT DATA ITALIA S.p.A.
  - Member of the Supervisory Body of Feralpi Holding S.P.A.
  - Member of the Supervisory Body of Feralpi Siderurgica S.p.A.
  - Permanent Statutory Auditor of Metalfer S.p.A.
  - Chairman of the Supervisory Body of Consorzio per la tutela del Formaggio Grana Padano
  - Chairman of the Supervisory Body and Permanent Statutory Auditor of Metelli S.p.A.
  - Chairman of the Supervisory Body of Centrale del latte di Brescia S.p.A.
  - Chairman of the Supervisory Body of Raffmetal S.p.A.
  - Chairman of the Supervisory Body of Dolomite Franchi S.p.a.
  - Independent Auditor of Compagnia Bresciana Investimenti S.p.a.
  - Chairman of the Supervisory Body of S.A. Eredi Gnutti Metalli S.p.A.
  - Member of the Board of Statutory Auditors of Bugatti Autoricambi S.p.A
  - Member of the Supervisory Body of the Industrial Association of Brescia
  - Single-member component of the Supervisory Body of the Veneto Center for Productivity Foundation
  - Single-member component of the Supervisory Body of FeralpiSalò Srl
  - Member of the Supervisory Body of FER-PAR Srl
  - Chairman of the Supervisory Body of Feralpi Profilati Nave Srl
  
- Independent Director Paola Carrara holds the following positions:
  - Chairman of the Board of Statutory Auditors of Banca Farmafactoring S.p.A.
  - Permanent Statutory Auditor of Flamma S.p.A.
  - Sole Statutory Auditor of Lucchini Tool Steel S.r.l.
  - Chairman of the Supervisory Body of UNICAA S.r.l.
  - Director of the Independent Auditors RC ADV S.r.l.

### ***Induction Program***

Information provided to the Board allow directors to achieve adequate knowledge of the sector in which the Company operates, of corporate performance and its evolution, in addition to the related normative and regulatory framework. During meetings of the Board of Directors, in fact, a wide range of information regarding the sector in which the Company operates, trends regarding the same and activities carried out by the Company to comply with regulatory changes and self-conduct codes are provided. In the year, in particular, the directors and auditors have had the opportunity to deepen their knowledge of the normative, regulatory and self-regulatory framework by participating, inter alia, in the meetings in which the following were amended (i) internal procedures adopted by the Company in relation to the management of privileged information, insider register and internal dealing, as a result of an exhaustive discussion on the latest updates on market abuse and, in particular, on the recommendations contained in the Guidelines no. 1/2017 on “*Management of privileged information*” adopted by Consob on October 13, 2017 (see paragraph 6 of this

Report); as well as (ii) the Procedure for transactions with related parties, after an in-depth examination of the regulations pursuant to the Consob Related-Parties Regulation (see paragraph 12 of this Report).

Visits of the Board of Directors and of Statutory Auditors to the Company's production plants are organized where deemed of interest.

### **5.3. BOARD OF DIRECTORS' OPERATIONAL ASPECTS**

As stated in article 15 of the Company's By-laws, the Board of Directors shall consist of a minimum of 3 to a maximum of 11 members. Directors are appointed for a term that does not exceed three years, ending with the approval by the Shareholders' Meeting of the financial statements for the last of the three years of the term and may be re-appointed. Before proceeding to the appointment of the Board, the Shareholders' Meeting sets the number of its components and the term of the Board of Directors to be appointed.

Article 16 of the By-laws empowers the Board to appoint from its members one or more Managing Directors and/or an Executive Committee, determining, within the limits set forth in article 2381 of the Civil Code, its powers, and in the case of the Executive Committee, also the number of its components, the term, and norms regulating its functioning. Committees ensure that the organizational, administrative and accounting management of the Company is adequate in relation to the nature and size of the same, and report to the Board of Directors and the Board of Statutory Auditors at least quarterly on the general performance of the Company and its outlook, in addition to major transactions concluded, either by size or importance, by the Company or its subsidiaries.

Pursuant to article 17 of the Board of Directors, the Board meets at the Company's Registered Office or elsewhere on the national territory, any time the Chairman deems it necessary or whenever at least two of its Directors request it. Board of Directors' meetings may also be convened upon request of two Statutory Auditors, upon prior notice to the Chairman of the Board of Directors. Board meetings may also be held by means of communication devices in teleconferencing or videoconferencing, provided each of the participants can be identified by all other participants and that each of them is able to participate in the discussion and to intervene in real time during the discussion of issues, in addition to being able to receive, transmit or review documents and the contemporaneity of the examination of issues and the resulting resolution is ensured.

The Board of Directors is called by its Chairman or, in case of his or her proven impediment, by at least two Directors, by letter or fax to be delivered at least three days before the meeting to each member of the Board and, in case of urgent issues, by telegram, fax or e-mail to be delivered at least one day prior to the meeting.

The Chairman or one Managing Director coordinates Board meetings and provides for adequate information on issues to be discussed to be provided to all Directors.

In case of absence of both the Chairman and the Managing Director, other members of the Board present at the meeting shall appoint, with a majority vote of Directors present, one of them as Chairman for the purposes of the specific Board meeting.

Resolutions must be taken by majority vote of Directors in office to be valid. Resolutions are passed by majority vote of members present at the meeting; in case of even vote, the vote of the Chairman of the meeting shall prevail.

### **5.4. ROLE OF THE BOARD OF DIRECTORS (*ex art. 123-bis, comma 2, par. d), TUF*)**

The management of the Company is the exclusive responsibility of the Board of Directors that carries out all operations necessary to attain the corporate objectives.

By express provision of the By-laws (as indicated further on), the following are reserved to the Board of Directors, holding valid powers reserved to the Managing Director:

- (i) the right to examine the operations of the Company, based on the report of the Managing Director and of those Directors that hold specific positions (article 18, comma 4 of the By-laws): in exercising such function, the Board shall, among other things, evaluate with particular care potential conflicts of interest, keep into account information received by Managing Director and compare periodically results achieved with those budgeted. The Board also examines and approves strategic guidelines, industrial and financial plans, where these have been drafted, for the Company and the Group (article 18, comma 4 of the By-laws);
- (ii) the examination and approval of transactions that have a significant importance either from an asset or financial point of view, with particular reference to transactions with related parties;
- (iii) the evaluation, based on information received by the Managing Director, pursuant to article 16, comma 6 of the By-laws, of the adequacy of the general organizational, administrative and accounting structure of the Company and the Group set in place by the Managing Director (article 18, comma 4 of the By-laws).

The following powers are also attributed to the Board of Directors:

- a) merger resolutions, in the cases described in articles 2505 and 2505-*bis*, of the Civil Code;
- b) business split resolutions pursuant to the joint provisions of articles 2506-*ter* and 2505-*bis*, of the Civil Code;
- c) a capital stock reduction in the case of the withdrawal of a Shareholder;
- d) changes to the By-laws in compliance with new regulations;
- e) the transfer of the Registered Office to another location on the national territory;
- f) the creation and suppression of secondary offices, branches, agencies and representative offices;
- g) other powers attributed to the Board of Directors by Law and the Company's By-laws.

The Chairman of the Board of Directors ensures that adequate information on issues in agenda is provided to all Directors. In particular, this information is provided in a manner and timing that allows Directors to express their cognitive opinion on issues submitted to their examination, supplying with appropriate advance the drafts of documents to be approved, with the sole exception of cases of particular and proven urgency. A term of two days prior to the meeting is considered appropriate for the transmission of the necessary documents to board members; such term was normally abided.

In the year, the Board of Directors met 6 (six) times on the following dates:  
January 19, March 13, April 26, May 14, September 11 and November 14.

Minutes of the meetings were regularly kept.

The duration of Board meetings has been on the average about one hour and fifteen minutes.

In the current year the Board plans to meet at least 4 (four) times. In addition to the meeting already held on March 11, 2019 (approval of financial statements of Cembre and the Consolidated Financial Statements for the year ended December 31, 2018), the calendar of main corporate events for 2019 (already communicated to Borsa Italiana S.p.A. – the Italian stock market regulator – in compliance with regulations) another 3 (three) Board meetings are scheduled at the following dates:

- May 14: approval of the Report on the 1st Quarter of 2019;
- September 11: approval of the Report on the 1st Half of 2019;
- November 14: approval of the Report on the 3rd Quarter of 2019.

Board meetings are also attended upon invitation by managers of the Company and occasionally, also on invitation, by managers of the Group in both instances to present further analysis on issues in agenda.

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In its meeting of November 14, 2018, the Board of Directors resolved pursuant to article 7.C.1, paragraph b) of the Civil Code to deem adequate, effective and fully functioning the internal control system and the



management of risks with respect to the characteristics of the Company and its risk profile, based on the support of the Control and Risk Committee and the operating review of Managing Directors and of Directors holding proxies.

The Board of Directors reviewed at least quarterly the operating performance of the Company, keeping into account, in particular, information received by representative bodies.

As provided by the Application Criteria 1.C.1. par. f) of the Civil Code, the Company adopted an internal code (the “**Code**”) – last amended on March 15, 2011 to keep into account, among other things, of new criteria of significance set forth in Attachment 3B of the Issuers’ Regulation – regulating informative and procedural aspects relating to operations having a specific economic, equity or financial relevance, with particular reference to transactions with related parties, establishing also criteria (quantitative and/or qualitative) for determining which operations fall in this category and are therefore reserved to the responsibility of the Board of Directors of the Company.

The Code reserves to the exam and approval of the Board “Relevant Operations”, intended as:

- 1) the acquisition or sale of companies, businesses or assets, in case at least one of the parameters listed below is equal or higher than 25%<sup>1</sup>:
  - (i) *Assets*: ratio of total assets of merged company or total assets that are the object of the spin-off, and total assets of the Company;
  - (ii) *Profitability*: ratio of pre-tax profit and result of transferred assets of merged company, or of assets object of the spin-off and pre-tax profit of the same before the spin-off;
  - (iii) *Shareholders’ Equity*: ratio of Shareholders’ Equity of merged company or of the business spun-off and Shareholders’ Equity of the Company;
  - (iv) *Liabilities*: ratio of total liabilities of merged company or liabilities object of the spin-off and total assets of the Company;
- 2) acquisition and sale of company, businesses, part of businesses or assets (including tangible and intangible assets), in case one of the ratios listed below is equal or above 25%<sup>2</sup>:
  - (i) *Amount*: ratio of the amount of the transaction and capitalization of the Company at the closing of the last trading day of the period of the most recent periodical financial report published (annual report, half-yearly report or interim report). When the economic terms of the transaction are determined, the value of the operation is:
    - (a) with regard to cash components, the amount paid to/by the counterpart pursuant to contractual terms established;
    - (b) with regard to components consisting of financial instruments, the fair value determined at the time of the transaction in line with IFRS adopted through EU Regulation no. 1606/2002.

When the economic terms of the operation depend in full or in part on amounts not yet known, the amount of the operation is the maximum determinable value pursuant to the agreement.

  - (ii) *Assets*: ratio of total assets of the company, business or part of business acquired or sold and total assets of the Company.

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<sup>1</sup> Accounting data to be used in calculating the degree of significance for the purposes of the Code must be drawn from the most recent consolidated balance sheet published or the most recent balance sheet where the Company is not required to produce consolidated financial statements.

<sup>2</sup>*Cfr.* See note above

In the case of acquisitions or sale of investments in companies that have an effect on the consolidation area, the value of the numerator is that of the assets of the invested company, irrespective of the percentage of ownership being transferred.

In the case of acquisitions or sale of investments in companies that do not have an effect on the consolidation area, the value of the numerator is:

- (a) in the case of acquisitions, the value of the operation plus total liabilities of the acquired company transferred to the acquiring company in the sale;
- (b) in the case of sale, the value of the business sold.

In the case of acquisition or sale of other assets (other than the purchase or sale of an equity investment), the value of the numerator is:

- (a) in the case of acquisitions, the higher between the consideration paid and the book value attributed to the asset;
  - (b) in the case of sale, the book value of the asset sold.
- (iii) *Profitability*: ratio of pre-tax profit and of results of assets sold by the company, business or part of business acquired or sold, and the pre-tax profit and result of transferred assets of the Company;
  - (iv) *Shareholders' Equity*: ratio of total Shareholders' Equity of the company, business or part of business acquired or sold and the total Shareholders' Equity of the Company;
  - (v) *Liabilities*: ratio of total liabilities of the company, business or part of business acquired or sold and total assets of the Company.

Where the purchase or sale relates to an asset, only the ratio described in paragraph (i) above will apply.

- 3) Operations other than the ones indicated in paragraph 1) and 2) above whose value exceeds 20% of Revenues (intended as sales revenues reported in the latest Consolidated Financial Statements or in the most recent statement of income where the Company is not required to prepare consolidated financial statements).

For the purposes of ratios indicated in paragraphs 1), 2), and 3) above, each transaction should be considered individually. Exceptionally, transactions that are strictly and objectively linked by a common strategic or operating plan must be qualified as Relevant Operations whenever, considered in the aggregate, they should exceed the above mentioned ratios.

Moreover, in relation to each Relevant Operation, the Board of Directors shall receive from the appointed parties, sufficient information to allow a first review of major elements of the operation. In particular, exhaustive information regarding the strategic reasons for the Relevant Operation and the foreseeable operating, financial and equity impact of the same, also at the consolidated level.

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On March 11, 2019, based on a specific questionnaire distributed to directors, divided into different areas of investigation (i.e. composition, structure, size and functioning of the Board, interaction with management, risk governance, composition and structure of committees, etc.) and with the possibility of expressing comments and proposals, the Board carried out its annual assessment pursuant to Application Criteria 1.C.1. par. g) of the Civil Code, deeming the composition and functioning of the Board and its internal committees as adequate for the management and organizational needs of the Company, keeping into account the presence, on a total of eight members, of four Non-Executive Directors, of which two Independent Non-Executive Directors, that ensure an appropriate composition of Committees created within the Board. In addition, the Directors deemed the composition of the Board of Directors to reflect an adequate diversity of profiles in relation to aspects such as age, gender composition, training and professional development.

The Shareholders' Meeting did not authorize exceptions to the non-competition clause provided under article 2390 of the Civil Code.

## 5.5. REPRESENTATIVE BODIES

### Managing Directors

Pursuant to article 16, comma 3 of the By-laws, the Board of Directors can appoint among its members one or more Managing Directors and/or an Executive Committee, setting its powers, within the limits set by article 2381 of the Civil Code.

The Chairman of the Board and Managing Director currently in office, Giovanni Rosani is empowered with the following powers conferred by the Board of Directors' Resolution dated April 26, 2018, in addition to those reserved by the By-laws to the position of Chairman (*see* related section in this document).

In particular, Giovanni Rosani holds, in his quality of Managing Director, powers of legal representation of the Company as well as powers pursuant to applicable provisions of law and the By-laws, without prejudice to the fact that those powers that may not be delegated pursuant to restrictions set in article 2381 of the Civil Code and powers to examine and approve Relevant Operations and Transactions with Related Parties shall remain within the exclusive purview of the Board of Directors. The management powers assigned to Giovanni Rosani by Board resolution of April 26, 2018 are:

- 1) Stipulate, modify, resolve, transfer and acquire by way of transfer, purchase and sale contracts or exchange contracts, also receiving commissions, property, furniture, machinery, motor vehicles, finished products, semi-finished products, raw materials and accessories.
- 2) Assume or assign contract work and supplies in general, signing the related contracts and any other related and consequent deed, including contracts for the temporary association of companies.
- 3) Stipulate, modify and resolve contracts with freelance personnel and professionals.
- 4) Hire and fire workers and employees in general, including managers, determining their tasks and retribution.
- 5) Stipulate, modify and resolve agency and trade representation contracts in general.
- 6) Stipulate, modify and resolve insurance, rent and lease contracts, and resolving the same.
- 7) Represent the Company with the Revenue Service and Administrative and Tax Commissions of any order and level, underwriting petitions, appeals, complaints and whatever else is necessary, with powers to appoint special attorneys.
- 8) Represent the Company with the Bank of Italy, and other similar organisms, with powers to sign all documents or files that may be necessary, exonerating such organisms from any responsibility with regard to the present proxy.
- 9) Represent the Company with customs, railway, tram, maritime, air and transport companies in general, post and telegraph offices in all shipping, import and collection of goods, valuables, packages, belongings, and letters, including registered and insured mail.
- 10) Represent the Company in labour litigation.
- 11) Participate in and bid at public auctions.
- 12) Stipulate, modify, recede and resolve from leasing contracts for fixed and non-fixed assets, also registered, and carry out maintenance needed; stipulate, modify and resolve financial and operating leases.
- 13) Present for collection, collect, issuing receipt, amounts, receivables, bills, security deposits, checks and receivables in general, invoices, money orders, Treasury bonds, guarantee deposits from the Central Bank, the Cassa Depositi e Prestiti, post offices, tax offices and treasuries, and any other public or private office. Represent the Company in Court proceedings and in litigation on the collection of receivables.
- 14) Issue money drafts on customers and debtors in general.
- 15) Endorse checks, bills and transfers in general, both for discounting and deposit on the Company's current accounts, both with banks and post office.
- 16) Endorse checks in favour of third parties, make money transfers and write checks for cashing at banks, also against overdrafts covered by lines of credit, or post offices against deposits.
- 17) Transfer funds among banks within credit lines available, also between the Company and its subsidiaries.
- 18) Issue short-term commercial paper.
- 19) Repay loans.
- 20) Establish relationships with banks, credit institutions, post offices, signing contracts concerning the opening of said accounts. Negotiate and accept lines of credit and overdraft lines signing any related contract in the name of the Company.
- 21) Underwrite, accept and endorse bills and credit documents in general.
- 22) Transfer receivables for any reason.

- 23) Issue on behalf of the Company guarantees, joint obligations, secured guarantees in favour of third parties, including Group companies.
- 24) Exercise voting rights and represent the Company in Shareholders' meetings of companies, consortia and other entities in which it holds a stake, in addition to exercising all other rights of the Company vis-à-vis its stake in other companies, consortia and other entity in which it holds a stake.
- 25) Stipulate purchase contracts – including by means of the incorporation of companies and associations of companies – or contracts for the acquisition or sale of investments in other companies or businesses.
- 26) Request any competent Authority administrative and police licenses, in particular commercial licenses, also putting them provisionally in its own name as legal representative of the Company.
- 27) Transact, and settle arbitration, also out of Court, initiate petitions, appeals and complaints, initiate administrative and legal action at any stage and degree and in any proceeding, also cautionary and injunctive, holding legal representation of the Company in Court both as recurrent and defendant, also for revocation and cassation proceedings, appointing lawyers and attorneys in litigation, legally representing the Company with any Authority.
- 28) Protest, request injunctions, promote conservative and executive deeds, intervene in bankruptcy proceedings requiring amounts receivable, declaring their true existence.
- 29) Grant loans to employees and third parties, granting advances for intellectual property rights.
- 30) Represent the Company with Consob (the stock market regulator) and against the companies managing the stock market in proceedings eventually arising before the same, with powers to draft communications and/or any other deed or document pursuant to laws and regulations applicable.
- 31) Sign the report on issues in agenda for the Shareholders' Meeting pursuant to article 125-ter of Legislative Decree 58/1998, and applicable norms and the notice calling Shareholders' Meetings.
- 32) Carry out any operation with factoring and leasing companies, underwriting the related contracts.
- 33) Deposit on behalf of the Company securities for deposit and administration, in addition to retrieving securities deposited with banks, issuing the related receipt.
- 34) Negotiate advances on securities or goods.
- 35) Negotiate the opening of credit with powers to sign all documents relating to import and export operations, including the related foreign-exchange forms, declarations attesting price and assuming responsibilities.
- 36) Negotiate loans in euro and/or any other currency, with powers to sign any related document.
- 37) Confer, modify and/or revoke general proxies and confer, modify and/or revoke special proxies for individual deeds or category of deeds.
- 38) Sign the correspondence in the name of the Company.
- 39) In addition to the above mentioned powers, representing a non-exhaustive example, all management powers belonging to the Board of Directors, with the exception of those otherwise reserved by Law, with legal representation and single signature.

Board resolution of April 26, 2018 also assigned to Giovanni Rosani, appointed as “Director in Charge of Internal Control and Risk Management”, the responsibility for implementing the guidelines set by the Board (as provided by article 7 of the Code) through the planning, management and monitoring of the internal control and risk management system, monitoring its adequacy and efficacy. For more information we refer to paragraph 11.1 below.

Mr. Giovanni Rosani is the chief executive officer of the Company. No occurrence of any *interlocking directorate* situation pursuant to criteria 2.C.5 may be currently envisaged.

The Managing Director is also in charge of ensuring that the organizational, administrative and accounting organization of the Company is adequate in respect of the nature and dimensions of the same (see article 16, paragraph 6 of the By-laws).

The Board of Directors of April 26, 2018 attributed Anna Maria Onofri (appointed Vice Chairman by the same resolution) the powers listed below, also within the limits of set in article 2381 of the Civil Code with regard to non-delegable powers, and the power to examine and approve Relevant Operations and Transactions with Related Parties, reserved to the Board pursuant to the Code, as mentioned above:

1. in case of absence or impediment of the Chairman and Managing Director Giovanni Rosani, all ordinary management powers held by the Board, with legal representation and single signature, with the exception of those powers that cannot be delegated by law;
2. manage relationships and relations with employees and their families, of non-profit humanitarian associations in general and of all those organizations which, by statute, carry out solidarity, social and civil activities.

### **Chairman**

According to the By-laws, the Chairman of the Board holds powers to chair the Shareholders' Meeting (article 13), call Board meetings (article 17), in addition to holding the legal representation of the Company against third parties and in Court (article 19), and to delegated powers as specified above.

On April 26, 2018, the Board of Directors confirmed Managing Director Giovanni Rosani as Chairman.

The Board deems the conferral of powers to manage the Company to the Chairman to be consistent with the organizational needs of the Company which are the smooth functioning of its Board of Directors, in view also of its size. As this is the case, we remind that the Company appointed Director Fabio Fada as Lead Independent Director pursuant to the Code. For further information regarding the Lead Independent Director we refer to paragraph 5.8 below.

The Vice Chairman has vicarious responsibilities with respect to those of the Chairman (article 16 of the By-laws).

### **Executive Committee**

The Board of Directors did not create an Executive Committee among its members.

### **Information to the Board of Directors and Board of Statutory Auditors**

As prescribed in article 16 of the By-laws, Managing Director and Executive Director Aldo Bottini Bongrani have regularly informed the Board of Directors and the Board of Statutory Auditors in a timely manner and at least on a quarterly basis at Board meetings on: (i) activities implemented in compliance with their proxies; (ii) the operating performance of the Company and their outlook; (iii) the most significant corporate events, either by dimension or characteristics, involving the Company or its subsidiaries, and (iv) Transactions with Related Parties, in compliance with the internal procedure described in paragraph 12 below.

## **5.6. OTHER EXECUTIVE DIRECTORS**

Note that the Company's other executive directors are Aldo Bottini Bongrani, Franco Celli and Felice Albertazzi, due to the management duties they hold within the Company.

## **5.7. INDEPENDENT DIRECTORS**

Pursuant to the joint provisions of articles 147-ter, comma 4 and 148, comma 3 TUF and in compliance with article 2.2.3, comma 3, paragraph k) of the Stock Market Regulation and art. 3 of the Code, the Board of Directors currently includes two Independent Directors (Fabio Fada and Paola Carrara) who, without prejudice to what will be specified below with respect to Mr. Fada:

- (i) do not control the Company, either directly or indirectly, through any subsidiary, trust company or other person, nor are in a position to exercise on the Company a significant influence;
- (ii) do not participate, either directly or indirectly, to any Shareholders' agreement through which one or more subjects can exercise control or a significant influence on the Company;
- (iii) are not or have not been, over the past three financial years, a top level representative (i.e. the chairman, the Chairman of the Board, an executive director or a manager with strategic

responsibilities) of the Company or of any of its strategically important subsidiaries, or of a company or entity that, either directly or through a Shareholders' agreement, controls the Company or has a significant influence over the same;

- (iv) directly or indirectly (e.g. through subsidiaries in which it has an important role as indicated in paragraph (iii) above, or as partner of a professional firm or a consulting firm) has not, or has not had over the previous year, any significant business, financial or professional relationship with either: (a) the Company or any of its subsidiaries, or any of its top level representatives as indicated in paragraph (iii) above; (b) a company or entity that, either directly or through a Shareholders' agreement, controls the Company or, in the case of a company or entity, any of its top level representatives as indicated in paragraph (iii) above;
- (v) notwithstanding the content of paragraph (iv) above, do not entertain work relationships, either directly subordinate or as an external consultant, or any other relationship involving remuneration such as to compromise the independence of the same: (a) with the Issuer, its subsidiaries or parent companies, or companies under joint control with others; (b) with the Directors of the Company; (c) with close relatives up to the fourth degree of the Directors of the Company described in paragraph (a) above;
- (vi) does not and has not received, over the past three financial years, from the Company or any of its subsidiaries, any remuneration of significance in addition to the fixed indemnity received as Independent Director, including the inclusion in stock option plans and phantom stock option plans;
- (vii) have not been Directors of the Company for more than nine years out of the last twelve;
- (viii) do not cover the position of Executive Director in any other company in which another Executive Director of the Company holds a position as director;
- (ix) are not partners or directors of a company or entity that is part of the network of the independent auditors of the Company;
- (x) are not a close relative of any person that is in any of the situations described in the paragraphs above and are not, in any case, either a spouse, relative or relations up to the fourth degree of any Director of the Company, or managers, spouses, relative or relations up to the fourth degree of any Director of its subsidiaries, parent companies or companies under its joint control.

The Board assesses the existence and continuation of requisites described above, based on information that parties involved are required to supply under their responsibility, or of any other information otherwise available to the Board.

The possession of prerequisites for independence pursuant to article 3 of the Civil Code and of comma 3, paragraphs b) and c) of article 148 of TUF of Independent Directors currently in office were verified by the Board at its meeting of April 26, 2018 at which they were appointed<sup>3</sup> and, lastly, at the subsequent meeting held on March 11, 2019. Particularly with regard to Director Fabio Fada, taking into account Mr. Fada's significant professional profile, which has been very valuable to the Company and suitable for working within Cembre's complex regulatory and structural environment, the Board decided it was appropriate not to apply application criterion 3.C.1 point e) of the Corporate Governance Code (which establishes that generally a director who has held that position for more than nine years out of the last twelve should not be considered independent) and, as a result, to recognize the fulfilment of the independence requirements pursuant to art. 3 of the Corporate Governance Code and art. 148, comma 3 of the TUF by Director Fabio Fada.

Independent Directors pledged to maintain their independence throughout their mandate and in any case to inform with no delay the Board of Directors on possible events or situations that may compromise their independence.

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<sup>3</sup> Following the Board meeting held on April 26, 2018, the Company disclosed the result of its evaluations through a press release published pursuant to article 144-*novies*, comma 1-*bis*, of the Consob Issuers' Regulation.

Pursuant to article 15, comma 4 of the Company's By-laws, the loss of the requisite for independence of an Independent Director provided for in article 148, comma 3 of TUF, does not determine his or her revocation in case these requisites continue to hold for a minimum number of Directors that must possess them in accordance with the Law.

In making the above assessment the Board applied all the criteria provided for in the Civil Code.

At its meeting of May 14, 2018, the Board of Statutory Auditors verified that the criteria and procedures used by the Board of Directors in assessing requisites for independence were applied in a correct manner.

Independent Directors currently serving on the Board regularly attended all Board meetings held in the year.

During the year (i) the three Independent Directors in office until the Shareholders' Meeting of April 26, 2018 met on February 27, 2018 and March 7, 2018 at meetings called *ad hoc*, separate and different from all other meetings of Board members; (ii) the two Independent Directors currently in office met at similar meetings on May 8, 2018 and October 31, 2018. Minutes of these meeting were regularly kept.

## **5.8. LEAD INDEPENDENT DIRECTOR**

As provided for in the Civil Code and there applying conditions set forth therein, on April 26, 2018, the Board appointed Director Fabio Fada as Lead independent director, to whom the Non-executive Directors, and especially Independent Directors, shall refer for coordination of their action and cooperate with the Chairman to ensure that Directors receive a complete and timely information flow.

The Lead independent director, being an Independent Director competent in the field of accounting and finance, covers also the position of Chairman of the Remuneration Committee and Chairman of the Internal Control Committee.

## **6. HANDLING OF COMPANY INFORMATION**

### ***Disclosure of reserved and privileged information***

In the meeting held on June 26, 2007, the Board approved the adoption of a "Procedure for the disclosure of privileged information" prepared in compliance with articles 114 and 181 of TUF and subsequently updated in 2013.

In 2016 the Board of Directors adopted a new "Procedure for the disclosure of privileged information" pursuant to article 17 of the MAR and the related implementation and application notes of the European Commission, in force from July 3, 2016.

The "Procedure for the disclosure of privileged information" regulates the internal management and the disclosure outside of the Company of privileged information (as defined in Article 7, MAR) and of reserved information (as defined in the Procedure) regarding the Company and its subsidiaries. The Procedure aims primarily at ensuring compliance with the Law and regulations on the subject and at ensuring the respect of the maximum degree of reservedness and confidentiality of privileged information, in addition to a high degree of transparency with respect to the market and adequate preventive measures against market abuse.

In particular, press releases required by currently applicable regulations containing privileged information must be prepared by the *Investor Relations* department of the Company and approved by the Managing Director, or, in case of his or her absence or impediment, by other competent subjects able to evaluate the privileged nature of the information pursuant to the Procedure and, whenever it appears necessary or appropriate, by the Board of Directors, for its final approval before disclosure, after appropriate attestation has been issued, in case the information to be disclosed is of an accounting nature, of the Manager in Charge of Preparing the Company's Accounts. Said press releases are available on the stocking mechanism mentioned in paragraph 15 of the present Report and on the Company's institutional Internet site [www.cembre.it](http://www.cembre.it) in the *Investor Relations* section under *Press Releases*.

Relations with the Press, monitoring Authorities and the financial community are kept and managed by the *Investor Relations* department.

The “Procedure for the disclosure of privileged information” was amended by the Board on March 13, 2018 in order, inter alia, to take into account the latest guidelines issued by the European Securities and Markets Authority, ESMA (including the so-called Questions and Answers on the Market Abuse Regulation, as last updated by the ESMA, “Q&A”), as well as the recommendations contained in the Guidelines n. 1/2017 on “*Management of privileged information*” adopted by Consob on October 13, 2017.

### ***Register of persons having access to privileged information***

With particular reference to the requirement for listed companies, subsidiaries of the same and persons who act in their name or on their behalf, to create and make operational a register of persons who have access to privileged information, as per article 115-*bis* of TUF, and articles 152-*bis* and following of the Consob Issuers’ Regulation, the Board of the Company resolved at its meeting of June 26, 2007 to adopt the “Procedure for the management of the Register of persons having access to privileged information”, procedure that was subsequently updated at the Board in 2013.

In 2016, the Board of Directors, in compliance with article 18, MAR and to the related application and implementation norms of the European Commission that mandates the companies and the persons acting in their name to compile, manage and update a register of persons having access to privileged information, adopted also a “Procedure for the management of the Group Register of persons having access to privileged information” in force from July 3, 2016.

The “Procedure for the management of the Group Register of persons having access to privileged information” was amended by the Board on March 13, 2018 in order, inter alia, to take into account the latest guidelines issued by the European Securities and Markets Authority, ESMA (including the so-called *Questions and Answers on the Market Abuse Regulation*, as last updated by the ESMA, “Q&A”), as well as the recommendations contained in the Guidelines n. 1/2017 on “*Management of privileged information*” adopted by Consob on October 13, 2017.

This Procedure is available on the Company’s institutional Internet site [www.cembre.it](http://www.cembre.it) in the *Investor Relations* section under *Procedure for the management of the Register of persons having access to privileged information*.

### ***Internal Dealing***

With regard to the management of disclosure requirements deriving from the application of *Internal Dealing* regulations in compliance with article 114, comma 7 of TUF, and articles 152-*sexies*, 152-*septies* and 152-*octies* of the Consob Issuers’ Regulation, coming into effect for listed companies from April 1, 2006, the Board of Directors of the Company resolved on March 27, 2006 to adopt the Procedure for the compliance with *Internal Dealing* regulations. Said Procedure is aimed at ensuring the highest transparency and homogeneity of the flow of information to the market, subsequently updated in 2007 and in 2013.

During the year the Board adopted a new Internal Dealing Procedure in compliance with article 19, MAR and to the related application and implementation norms of the European Commission in force from July 3, 2016.

The “Procedure for the compliance with Internal Dealing regulations” was updated by the Board on March 13, 2018 in order, among other things, to incorporate the amendments made by Consob to the Issuers’ Regulation with Resolution no. 19925 of March 22, 2017.

The detail of operations carried out in the year that require communications pursuant to Internal Dealing regulations, is available on the Company’s institutional site at [www.cembre.it](http://www.cembre.it), in the *Investor Relations* – *Internal Dealing* section.

## **7. BOARD OF DIRECTORS’ INTERNAL COMMITTEES**

The Board of Directors appointed the Appointments and Remuneration Committee, the Control and Risk Committee and the Committee for Related Parties Dealing. In this regard, please note that the Appointments and Remuneration Committee and the Control and Risks Committee appointed on April 26, 2018 consist of

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two non-executive independent Directors, as permitted by application criterion 4.C.1, point a) of the Corporate Governance Code. We refer to paragraph 12 below for information on the Committee for Related Parties Dealing.

## **8. APPOINTMENTS AND REMUNERATION COMMITTEE**

Based on the provisions of article 2.2.3, comma 3, paragraph m) of Stock Market Regulation applicable to companies listed in the STAR segment of the market and in compliance with the Civil Code, the Company appointed and has maintained an internal Remuneration Committee.

The Remuneration Committee in office until the Shareholders' Meeting of April 26, 2018 was made up by three non-executive Directors, the majority of which were Independent Directors and the chairman of which was chosen among Independent Directors:

- Fabio Fada – Independent Director – acting as Chairman;
- Giancarlo Maccarini - Independent Director;
- Giovanni De Vecchi – Non-executive Director.

Instead, as concerns the Appointments Committee, taking into account the Company's shareholding structure, with the presence of a controlling shareholder, in the past the Board of Directors did not consider it necessary to establish a committee responsible for appointing directors.

At its meeting held on April 26, 2018, taking into account the recommendations set forth in the letter of December 13, 2017 of the Chairman of the Committee for Corporate Governance and the instructions set forth in art. 5 of the Corporate Governance Code, the Board of Directors decided to assign the functions of appointing directors to the committee responsible for remuneration matters and, therefore, to establish an Appointments and Remuneration Committee, as permitted by the Corporate Governance Code. This was done to ensure that the Company has a committee responsible for tasks relating to the appointment of directors without burdening the Company's governance structure by appointing a dedicated committee.

### **Composition and functioning of the Appointments and Remuneration Committee (*exart. 123-bis, comma 2, par. d), TUF*)**

The committee in office at the end of the year and the date of this Report was established by Board resolution of April 26, 2018 and consists of two members, exclusively non-executive Directors, all independent, who are:

- Fabio Fada – Independent Director – acting as Chairman;
- Paola Carrara – Independent Director.

### **Functions of the Appointments and Remuneration Committee**

Considering the fact that the functions of the Appointments Committee and the Remuneration Committee have been assigned to a single committee, it is necessary to distinguish between the functions it performs when acting in one capacity or the other.

#### **(i) when acting as the Appointments Committee:**

- provide opinions to the Board of Directors on its size and composition and express recommendations on the professional figures whose presence within the Board would be appropriate as well as on the matters pursuant to arts. 1.C.3 and 1.C.4, in addition to diversity aspects in the composition of the Board with regard to matters such as age, gender and educational and professional background;
- propose to the Board of Directors candidates for the position of director in cases of co-opting, when it is necessary to replace independent directors.

#### **(ii) when acting as the Remuneration Committee:**

- propose the adoption of the Remuneration Policy for Directors and managers with strategic responsibilities;

- submitting proposals or express opinions to the Board of Directors as to the remuneration of Executive Directors and of other Directors holding particular positions, in addition to the setting of performance objectives related to the possible variable component of remuneration, monitoring the application of decisions adopted by the Board and verifying in particular the actual achievement of performance objectives;
- evaluating periodically the adequacy, overall consistency and application of the Remuneration Policy for executive Directors, of other Directors holding particular proxies, and of managers with strategic responsibilities, making use in this respect of information provided by the Managing Directors. The Committee also formulates to the Board of Directors related proposals.

With regard to the requirements set forth in principle 6.P.3 of the Corporate Governance Code with respect to the composition of the committee responsible for remuneration matters, please note that Fabio Fada and Paola Carrara have accounting and financial or risk management experience deemed suitable at the time of appointment. Specifically, the Chairman of the Committee, Fabio Fada, has that experience as Registered Accountant (registered in the Public Accountant Register under no. 79351) in addition to holding university teaching positions on business administration.

Pursuant to implementation criterion 6.C.6. of the Corporate Governance Code, Directors must abstain from participating in meetings at which their own remuneration is discussed. In defining said remuneration, the Committee duly takes into consideration the consistency of remuneration recognised in previous mandates, the adequacy of commitments undertaken and responsibilities for positions held, professional qualifications held by the persons involved and the size of the Company, the Group and the related growth prospects.

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In the year, the Remuneration Committee met on February 27, 2018, to assess the adequacy of the Remuneration Policy and to resolve on the proposed confirmation of the same. This assessment was also confirmed at the meeting held on October 17, 2018. Following the resolution of the Board of Directors of April 26, 2018 which established the Appointments and Remuneration Committee, three meetings of that committee were held. Specifically, it met in its capacity as the Remuneration Committee on April 26, 2018, May 7, 2018 and October 17, 2018, while it did not meet in its capacity as Appointments Committee.

The Chairman of the Board of Statutory Auditors participated in the meetings. The meeting duration was approximately 15 minutes. The meeting was coordinated by the Chairman and minutes were duly taken.

During the year, one meeting was held of the Appointments and Remuneration Committee on March 8, 2019 in order to propose an amendment to the Remuneration Policy and provide an opinion on the adoption of an incentive plan pursuant to art. 114-*bis* of the TUF based on Cembre shares for employees (or those with an equivalent relationship pursuant to regulations applicable over time) of Cembre and/or of Cembre's subsidiaries.

The Remuneration Committee has no expense budget as it makes use in carrying out its task of means and structures of the Company.

## 9. REMUNERATION OF DIRECTORS

The remuneration of Directors is set by the Shareholders' Meeting.

Pursuant to article 21, second comma, of the By-laws, the Shareholders' Meeting may determine an overall compensation for all Directors, including those holding particular proxies, and can moreover assign compensation, in full or in part, in the form of participation in the profit of the Company or the assignment of rights to underwrite shares of the Company to be issued at a pre-set price.

### General remuneration policy

The **Remuneration Policy**, adopted pursuant to article 6 of the Code by the Board of Directors on November 11, 2011, upon proposal of the Remuneration Committee, was most recently amended on March 11, 2019, also upon proposal of the Appointments and Remuneration Committee in its capacity as the Remuneration

Committee, in order to establish that the Shareholders' Meeting has the right to adopt incentive plans pursuant to art. 114-*bis* of the TUF.

The policy sets the guidelines to determine individual remunerations of Directors and managers having strategic responsibilities, where appointed, by the competent corporate boards.

The Remuneration Policy provides for the remuneration of directors to be set so as to provide sufficient incentive to attract, keep and motivate persons possessing those professional qualities required to manage the Company with success.

In the framework of the resolutions taken by the Shareholders' Meeting, the Board of Directors must, where necessary, integrate these by attributing compensation to individual directors, setting possible additional compensation for directors holding proxies, upon proposal of the Remuneration Committee and having heard the opinion of the Board of Statutory Auditors.

A more detailed description of the Remuneration Policy and of compensation paid in the year to Directors, other than the summary contained below, is provided in the Report on Remuneration available at the Company's institutional Internet site [www.cembre.it](http://www.cembre.it) in the *Investor Relations* section.

### **Share-based incentive plans**

Pursuant to law and regulations, upon proposal of the Board of Directors and after consulting with the Appointments and Remuneration Committee, the Shareholders' Meeting may approve compensation plans based on financial instruments pursuant to art. 114-*bis* of the TUF for Directors and employees (or those with an equivalent relationship pursuant to regulations in force over time) of the Company and/or of Cembre's subsidiaries.

### **Remuneration of Executive Directors and Directors holding particular positions**

The Remuneration Policy does not provide for Executive Directors<sup>4</sup> to receive a short term variable compensation in addition to the fixed component, as they hold relevant stakes in the Company and have therefore an interest in generating value for Shareholders through sound management that maximizes income while fostering the growth of the Company.

With the aim of creating value for the Company in the medium to long term, however, the Remuneration Policy does provide for the possibility for Executive Directors and Directors holding particular positions to receive variable medium to long term compensation consisting of a variable sum payable at the end of a set period of several years subject to the achievement of pre-defined economic and financial objectives over the same period of time.

### **Remuneration of managers with strategic responsibilities**

At the meeting of March 11, 2019 the Board of Directors verified that the management of the Company does not include managers with strategic responsibilities, as all decisions having a strategic relevance are taken, keeping into account contributions made by management, by the Chairman of the Board and/or the Managing Director, in compliance with powers reserved to the Board of Directors. In this respect, the top management of the Company has not changed since such date.

### **Directors without appointments, Non-executive Directors and Independent Directors**

The remuneration of Directors without appointments, Non-executive Directors and Independent Directors is not linked to the profits reported by the Company. No share-based remuneration plan currently exists in favour of the same.

### **Incentives for directors in charge of internal control, the manager responsible for Internal Audit and the manager responsible for preparing the Company's financial reports**

No incentives currently exist in favour of directors in charge of Internal Audit, the manager responsible for Internal Audit and the manager responsible for preparing the Company's financial reports.

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<sup>4</sup> For the purpose of this paragraph on remuneration, Executive Directors are Directors with executive powers within Cembre.

## **Indemnity for Directors in the event of resignation, dismissal or cessation of employment following a take-over bid (art. 123-bis, comma 1, par. i), TUF)**

No agreement providing for any indemnity in case of dismissal or cessation of employment without just cause, or in case employment is terminated following a take-over bid, has been entered into between the Company and the members of the Board of Directors. For more information on the Report on Remuneration see the related section in the institutional web site of the Company [www.cembre.it](http://www.cembre.it).

## **10. CONTROL AND RISK COMMITTEE**

The Board created a Control and Risk Committee among its members.

The Control and Risk Committee (formerly Internal Control Committee) was originally created with resolution of the Board dated May 14, 2004, pursuant to article 2.2.3, comma 3, paragraph 1) of the Stock Market Regulation. Subsequently to the appointment of the new Board of Directors, it was formed with resolution of the Board on April 23, 2015.

The Control and Risk Committee in office until the Shareholders' Meeting of April 26, 2018 was made up by three non-executive Directors, the majority of which were Independent Directors and the chairman of which was chosen among Independent Directors:

- Fabio Fada – Independent Director – acting as Chairman;
- Giancarlo Maccarini - Independent Director;
- Giovanni De Vecchi – Non-executive Director.

The Control and Risk Committee in office at the end of the year and the date of this Report consists of two non-executive independent Directors:

- Fabio Fada – Independent Director – acting as Chairman;
- Paola Carrara – Independent Director.

Both Fabio Fada and Paola Carrara have accounting and financial or risk management experience deemed suitable at the time of appointment. Specifically, the Chairman of the Committee, Fabio Fada, has that experience as Registered Accountant (registered in the Public Accountant Register under no. 79351) in addition to holding university teaching positions on business administration.

In the course of the year, the Control and Risk Committee met 5 (five) times, on February 27, May 23, September 4, October 31 and December 3, with all members regularly attending all meetings. The Chairman of the Board of Statutory Auditors attended all meetings of the Committee while meetings held on February 27, 2018 and October 31, 2018 saw the participation of all members of the Board of Statutory Auditors. Participation to the meetings included at times, upon invitation of the Committee, the Managing Director and Appointed Manager Giovanni Rosani, Claudio Bornati, in his capacity of Manager responsible for the preparation of the Company's accounts, Ms. Elena Morelli, responsible for Internal Audit, in addition to representatives of the Independent Auditors. Their participation was deemed useful for the purposes of the analysis of some of the items in the agenda.

At least 4 (four) meetings of the Control and Risk Committee are planned for the current year, one of which was already held on 25 February 2019.

### **Responsibilities attributed to the Control and Risk Committee**

The Control and Risk Committee has a consulting and prompting function for the Board of Directors, and in particular those of:

- (i) evaluating, together with the Manager responsible for the preparation of the Company's accounts and the Independent Auditors, the correct application of accounting principles and, in the case of groups, their consistency for the preparation of the Consolidated Financial Statements;
- (ii) expresses opinions on aspects inherent to the identification of main corporate risks;

- (iii) reviews periodic reports evaluating the internal control and risk management system, and particularly relevant reports prepared by the Internal Audit department;
- (iv) monitors the autonomy, adequacy, efficiency and effectiveness of the Internal Audit department;
- (v) may require the Internal Audit department to perform audits on particular operating areas, giving immediate notice of the request to the Chairman of the Statutory Auditors;
- (vi) reports to the Board of Directors, at least half yearly, upon the approval of the annual report and half-year report, on activities carried out and on the adequacy of the internal control system.
- (vii) supports with an adequate evaluation activity, the opinions and decisions of the Board of Directors on the management of risks arising from potentially harmful situations that have come to the knowledge of the Board of Directors.

The Control and Risk Committee is required to carry out its tasks in coordination with the Board of Statutory Auditors, the manager in charge of Internal Audit and the Managing Director holding proxies for internal control.

Within individual functions attributed to it, in the year the Control and Risk Committee verified the internal control system with particular regard to:

- progress made in the action plan for 2018 audit activities;
- the update of risk scoring, as per Law 262/05;
- the evaluation and monitoring of the adequacy of administrative and accounting procedures as per Law 262/05;
- the evaluation, together with the Manager in charge of preparing the Company's accounts, of the correct application of accounting principles and their consistency for the purposes of preparing the consolidated financial statements.

The Control and Risk Committee met with the Independent Auditors and the Board of Statutory Auditors to discuss the results of the auditing of the accounts of the parent company and the consolidated accounts. The Control and Risk Committee also invited to participate to meetings the Manager responsible for the preparation of the Company's accounts and the manager responsible for Internal Audit to discuss the update of internal audit activities in compliance with Law 262/2005 and Legislative Decree 231/2001.

At the Board meetings of March 13, 2018 and September 11, 2018, the Committee reported on the activity carried out and the state of the internal control system and read the Report of the Control and Risk Committee, respectively.

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Minutes of Control and Risk Committee meetings were coordinated by its Chairman and minutes of the meetings were regularly kept.

The average duration of meetings was about one hour and thirty minutes.

In carrying out its tasks, the Control and Risk Committee is entitled to access information and departments of the Company that may be necessary for the tasks assigned, in addition to making use of external consultants, at the conditions set by the Board of Directors.

The Control and Risk Committee has no expense budget as it makes use in carrying out its task of means and structures of the Company.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Board defines the nature and level of risk compatible with the strategic objectives of the company and defines the guidelines for the internal control and risk management system, intended as a set of rules aimed at monitoring the correct conduct of the Company, the reliability of financial information, the respect of laws and regulations, and the safeguard of the Company's assets.

To such end, the Board, having received the opinion of the Control and Risk Committee:

- (i) sets the guidelines for the internal control and risk management system aimed at ensuring that these risks are correctly identified and adequately measured, monitored, managed and evaluated, also in relation to the safeguard of company assets and the correct conduct of the Company, in line with the strategic objectives set;
- (ii) verifies periodically, and in any case at least annually, the adequacy, efficacy and effective functioning of the internal control and risk management system.
- (iii) approves, at least annually, the plan prepared by the manager responsible for Internal Audit, having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
- (iv) evaluates, after consulting with the Board of Statutory Auditors, the comments of the Independent Auditing firm in the letter of suggestions, where issued, and in the auditing letter issued by the legal audit.

The Board of Directors, moreover, upon proposal of the Managing Director in charge of the Internal Control System (the “**Appointed Director**”), and after having heard the opinion of the Control and Risk Committee and that of the Board of Statutory Auditors:

- (a) appoints and revokes the responsible for Internal Audit;
- (b) ensures that the same has adequate resources to carry out his or her task;
- (c) sets his or her remuneration in line with corporate policies.

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In line with international models and best practices (COSO Report), Cembre’s internal control system is based on the following key elements:

- a) **Control environment:** it is the environment in which individuals operate and it represents the internal control culture that permeates the organization. It is made up by the following elements: corporate organizational chart, system of proxies, organizational rules, procedure for disclosure to the public of privileged information, procedure for relevant transactions with related parties, procedure for the compliance with internal dealing requirements, organization, management and control model as per Legislative Decree 231/2001, inclusive of Code of Conduct, of which it is an integral part.
- b) **Identification and assessment of risks:** it is the periodical process through which the Company identifies, analyses and manages main risks faced by the Group (e.g. risks pertaining to the industry in general, financial risks, risks relating to operations, etc.) and the related control instruments. Particular attention is dedicated to the analysis of administrative and accounting risks, relating to financial reporting, and of the monitoring of risks identified.
- c) **Control activities:** it is the set of control rules and procedures put in place to allow the monitoring and control of corporate risks to reduce them to an acceptable level and ensure the achievement of corporate objectives. It consists of the following elements:
  - a. Administrative and accounting control procedures: set of corporate procedures for the preparation and disclosure of accounting information (e.g. Group accounting manual, related administrative and accounting procedures and in particular financial statements and reporting in general, managerial accounting forms);
  - b. Corporate procedures for the avoidance and monitoring of operating risks, such as: UNI EN ISO 9001 quality management system, UNI EN ISO 14001 environmental management system, OHSAS 18001 health and safety management system, etc.
- d) **Information and communication:** is the process created to ensure the accurate and timely collection and communication of corporate information. With reference to financial information, the Accounting Control Model adopted by the Company pursuant to Law 262/2005, sets rules and procedures for the correct drafting of accounting records (see the next chapter below for more information);
- e) **Monitoring activities:** is the set of activities necessary to verify and evaluate periodically the adequacy, operational efficiency and efficacy of internal controls. With particular regard to financial information, it currently focuses on the periodical valuation and reporting process regarding the adequacy and effective

application of procedures and controls on financial reporting, such as to allow the Managing Director and the person in charge to issue the attestations and statements required pursuant to article 154-bis, TUF (see the next chapter below for more information).

## **Main characteristics of the risk management and internal control systems in connection with financial reporting**

### **- Foreword**

As an integral part of its internal control system, Cembre defined its own Accounting Control Model in which rules for the management of risk and internal control relating to financial reporting are set forth.

The system is aimed at ensuring a reasonable credibility, accuracy, reliability and timeliness of financial information.

### **- Organization of the risk management and internal control systems in connection with financial reporting**

Based on the content of the Accounting Control Model, the main characteristics of the Internal control system in connection with financial reporting are described below:

#### **a) Phases of the risk management and internal control system regarding the financial reporting process**

##### **a1. Identification and evaluation of risks on financial reporting**

The risk identification and evaluation process (risk assessment) relating to accounting and financial reporting is carried out at least yearly by the Director in charge of the Internal Control System with the possible help of the Person in charge of Internal Audit and shared with the Managing Director.

The risk assessment process consists of the following activities:

- **analysis and selection of relevant accounting information** disclosed to the market (analysis of last statutory and consolidated annual report or last half-year report available, to identify main risk areas and related relevant processes);
- **identification of relevant subsidiaries and significant administrative and accounting areas**, for each item in the consolidated financial statements, based on set quantitative criteria;
- **identification and valuation of risks inherent to** significant administrative and accounting areas in addition to the related processes and flows upstream from the same, based on the analysis of qualitative and quantitative indicators (including the risk of errors that may affect to a relevant degree financial reporting);
- **communication**, to the sectors involved, of the **target areas** for which it is necessary to prepare and/or update administrative and accounting procedures.

##### **a2. Creation of controls on risks identified**

Cembre devised a system of administrative and accounting procedures to comply with requirements regarding the drafting of accounting documents pursuant to article 154-bis, TUF, introduced by Law 262, December 28, 2005.

The set of procedures defines “Matrices for the administrative and accounting control”, describing existing control procedures for each administrative and accounting process selected through periodical risk assessments, indicating, among other items:

- **objective of control in connection with financial reporting;**
- **description of current control;**
- **person in charge of the control;**
- **frequency.**

The matrix indicates “key checks”: these are controls whose absence can represent a deficiency in the administrative and accounting internal control system. Controls described in the matrices can be considered an integral part of the Group’s administrative and accounting internal control system. These matrices must be used as an instrument for the selection of controls applied in the periodical assessments of the administrative and accounting internal control system. Matrices are continuously updated by the persons in charge of Internal Control who communicate to the Director in charge of the Internal Control any relevant change occurred, sharing decisions on the necessary update to be carried out.

A minimum set of controls based on *Process Level Matrix Template* (PLM) and elaborated on the control matrices applied for the parent company were set for subsidiaries. These will be used as a documentation and evaluation instrument for the respective administrative and accounting internal control system.

**a3. Evaluation of controls for risks identified:**

The verification and periodical evaluation of the adequacy, operational effectiveness and efficacy of administrative and accounting controls is carried out at three distinct levels:

- **Continuous supervision**, on the part of persons in charge of the supervision or the Company, applicable to the operations of the Company (e.g. verification of consistency within the Group’s administrative and accounting procedures; verification of the update of matrices for administrative and accounting controls used; information provided to the Director of accounting and financial control regarding periodical verifications carried out on the update of procedures and of matrices, etc.).
- **Independent testing, carried out by the Appointed Director and the person in charge of Internal Audit and aimed at evaluating the adequacy of the design and the efficient operation of controls carried out.** Testing activity is carried out on the basis of the General Audit Plan prepared by the Appointed Director and integrated with specific “262” actions included in the General Audit Plan, reviewed and approved by the Appointed Director, the Control and Risk Committee and the Managing Director.
- **Monitoring**, carried out by the Director responsible for Internal Audit on the basis of information provided by the Internal Audit Department, to supervise the update of the set of procedures and the actual implementation of controls identified through administrative and accounting procedures.

The result of verifications described above regarding the adequacy and operating effectiveness of the accounting control system is communicated by the Appointed Director to the Board through a continuous flow of information.

**b) Roles and positions involved**

The Organization, Management and Control Model describes the roles and responsibilities of persons involved to various degrees in the drafting and/or control of financial reporting of the Cembre Group.

In particular we list below main responsibilities of persons involved in supervising the correct functioning of the system:

- the **Board of Directors** is responsible for appointing the Manager in charge of drafting the Company’s accounts and ensuring that the same possesses adequate requisites (in terms of authority, professional profile and independence), powers and means to carry out the tasks assigned; promoting a periodical flow of information through which the Manager in charge of drafting the Company’s accounts may report on the results of activities carried out and possible critical factors emerged, with the aim of sharing decisions on action to be taken to overcome critical factors. In carrying out its task, the Board of Directors is assisted by the **Control and Risk Committee** that has both a consulting and prompting function, with reference also to the internal administrative and accounting control system;
- the **Managing Director** is responsible for implementing and monitoring the correct application of the accounting control model and of the related Internal Control System, with particular reference to the administrative and accounting procedures; for validating, in agreement with the Appointed Manager, the results of the periodical risk assessment activity; for evaluating the efficacy of procedures implemented, keeping into account information gathered by the Appointed Manager; for reviewing all other financial information disclosed to the market (among which, in particular, quarterly reports);



- the **Manager in charge of drafting the Company's accounts and records**, in addition to the responsibilities assumed jointly with the Managing Director, is required to evaluate and monitor the level of adequacy and operative efficiency of the internal administrative and accounting control system, through adequate information gathering;
- the Internal Audit Department supports the Managing Director and the Appointed Manager in evaluating the stage of formalization and update of procedures and matrices for the administrative and accounting controls; it is also responsible for providing advice on control principles, reference methods and models; for carrying out independent control, analysis and supervision, both at the central and local level, presenting results to the Managing Director, the Appointed Manager and to management, providing suggestions as to how to devise corrective action and monitoring the implementation of corrective action defined by management in the context of analysis and verifications made, through successive follow-up phases.

Persons in charge of Internal Control and of subsidiaries that are involved in the drafting and management of accounting and financial information, are responsible for the correct functioning and update of the accounting control system limited to all processes and flows under their responsibility, in agreement with the Appointed Manager.

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In the year and specifically at the meetings held on March 13, September 11 and November 14, 2018 the Control and Risk Committee reported to the Board on its activity, the results of verifications carried out and the functioning of the internal control system, highlighting how the latter resulted appropriate in view of the dimensions and organizational and operating structure of the Company.

In the year and specifically at the meetings held on March 13, September 11 and November 14, 2018 the Control and Risk Committee reported to the Board on its activity, the results of verifications carried out and the functioning of the internal control system, highlighting how the latter resulted appropriate in view of the dimensions and organizational and operating structure of the Company

### **11.1. EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK SYSTEM**

On April 26, 2018, the Board appointed Managing Director Giovanni Rosani as Appointed Director in charge of Internal Control and Risk Management (the "**Appointed Director**").

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The Appointed Director in charge of overseeing the Internal Control system:

- carried out the identification of main risks to which the Company is typically exposed (strategic, operational, financial and relating to compliance), taking into account its characteristics and those of its subsidiaries, in addition to the sector in which they operate;
- implemented – through the design, management and monitoring of the internal control system – the guidelines set by the Board of Directors, reporting on its activity, where required, to the Board.
- overviewed the adaptation of the system to the operating conditions and the legal and regulatory framework in which it is applied;
- reported with no delay to the Control and Risk Committee (or the Board of Directors) on problems and critical situations emerged in the course of his activity or of which it had in any case knowledge, so that the Committee (or the Board) could take appropriate action.

The Appointed Director may also request the Internal Audit Department to carry out controls on specific operational areas and to verify compliance with internal rules and procedures in the carrying out of company operations, giving immediate notice to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee, and the Chairman of the Board of Statutory Auditors; no event requiring the exercise of this power occurred in the year.

In the exercise of these functions, the Appointed Director made use of the cooperation of the Person in charge of Internal Audit.

## **11.2. PERSON RESPONSIBLE FOR INTERNAL AUDIT**

Starting with the 2016 financial year, the Company created an Internal Audit Department appointing a manager responsible from the ranks of the Company. In particular, on November 13, 2015, the Board of Directors, upon proposal of the Appointed Manager and prior opinion of the Control and Risk Committee, having heard the Board of Statutory Auditors, appointed Ms. Elena Morelli, a Registered Accountant registered under no. 130984 in the National Public Accountant Register as Person Responsible for Internal Audit, effective January 1, 2016.

The Person Responsible for Internal Audit reports directly to the Appointed Director and defines an annual “risk based” action plan based on the analysis and prioritization of main risks. The audit plan is illustrated and shared with the Control and Risk Committee with the cooperation of the Manager in charge of drafting the Company’s accounts. The Board of Directors, after consulting with the Board of Statutory Auditors and the Appointed Director, in addition to receiving the opinion of the Control and Risk Committee, on March 13, 2018 approved the action plan prepared by the Person Responsible for Internal Audit for the year, while approving on March 11, 2019 the work plan prepared by the Person Responsible for Internal Audit for the current year.

The Person Responsible for Internal Audit reported quarterly to the Control and Risk Committee, to whose opinion it also submits the action plan and the results of controls carried out.

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The Person Responsible for Internal Audit is attributed the following tasks and powers:

- (a) to verify, both as an ongoing process and in relation to specific needs and in compliance with international standards, the operation and adequacy of the internal control and risk management system through an audit plan approved by the Board of Directors based on a structured process for the analysis and prioritization of main risks;
- (b) to draft periodic reports containing adequate information on the activity carried out, the manner in which risks are managed and the compliance with plans set for the containment of said risk. Periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
- (c) issue in a timely manner reports on events of particular importance;
- (d) deliver the reports in paragraph (b) and (c) above to the Chairman of the Board of Statutory Auditors, that of the Control and Risk Committee, and the Appointed Director in charge of the internal control and risk management system;
- (e) verify, within the audit plan, the reliability of information systems, including accounting systems.

On February 25, 2019, the Person Responsible for Internal Audit delivered to the Chairman of the Board of Directors, as well as to the Appointed Manager, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors a report on the adequacy and effective functioning of the internal control and risk management system of the Cembre Group. The report focused on the main results of the verifications carried out by the Internal Audit Department regarding, among other things, the monitoring of operating processes, the follow-up verification of the effectiveness of proposed corrective measures implemented, actions regarding subsidiaries, the support given to the Appointed Manager, the update of the areas of application of Law No. 262/2005 and the periodical testing of relevant administrative and accounting procedures, supervision of activities carried out by external consultants to support activities of the Supervisory Body and the review and verification of IT systems. As a result of verifications carried out, from which no critical situations or faults that may compromise the overall adequacy of the internal control and management system of the Company and its relevant subsidiaries, the Person Responsible for Internal Audit has concluded that no shortcomings or irregularities have emerged such as to suggest that the internal control and risk

management system of the Company and of the significant subsidiaries is not complete, inadequate or non-functional.

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The Person Responsible for Internal Audit may access directly all information that it may deem useful to carry out its tasks.

The Person Responsible for Internal Audit is not in charge of any operating area and does not depend hierarchically from any head of operating department, including Administration and Finance.

### **11.3. ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001**

On March 25, 2008, the Company adopted a first version of the Organization, Management and Control Model (the “Model”) aiming at preventing crimes contemplated by Legislative Decree 231/2001 as subsequently amended, taking into account the requirements of the same Decree in addition to the Guidelines issued by the Italian Industrial Association (Confindustria).

The exemption from administrative responsibilities provides for the mandatory creation of a Supervisory Body within the Company, having autonomous powers of initiative and control, responsible for verifying the Model execution and observance, overseeing its update.

The current Supervisory Body was appointed on April 26, 2018 and its term expires with the approval of the Financial Statements at December 31, 2020; it is made up by Fabio Fada (Independent Director, acting as Chairman), Paola Carrara (Independent Director), and Elena Morelli (Person in charge of Internal Audit). In this regard, please note that at the same meeting the Board of Directors deemed that, although the law allows for the attribution to the Board of Statutory Auditors of the functions of the Supervisory Body, a body established *ad hoc*, different from the Company’s control body, is capable of providing more efficient and effective oversight.

Crimes contemplated by Legislative Decree 231/2001 on which the Company concentrated its attention due to the specific sector in which it operates (as described in the Model) are: crimes committed in relationships with the public administration milieu and patrimonial crimes (articles 24 and 25); crimes committed in the field of data management (article 24-*bis*); crimes involving restrictions of freedom of industrial or commercial enterprises (art. 25-*bis1*); organized crime offences (art. 24-*ter*); crimes relating to falsification of money, credit cards and stamps, in addition to identification documents (art. 25-*bis*); corporate crimes (25-*ter*); market related abuses (article 25-*sexies*); negligent manslaughter and personal injuries, either serious or very serious (article 25-*septies*); handling of stolen assets, recycling, self-recycling and reinvestment of ill obtained money, goods or profits (article 25-*octies*), copyright infringements (art. 25-*novies*); induction to render or not render false witness (art. 25-*decies*), environmental crimes (art. 25-*undecies*); employment of citizens of other countries not holding residency permits (art. 25-*duodecis*), corruption between individuals (art. 25-*ter*, letter S-*bis*); induction to give or promise gains (art. 25) of said Law.

The Model was last updated by the Board of Directors at its meeting of November 14, 2018 to adapt it to regulatory updates on the liability of entities (particularly with reference to the crime of instigation to corruption set forth in art. 2635-*bis* of the Civil Code, in turn introduced by Legislative Decree no. 38 of March 15, 2017, the crime of unlawful intermediation and exploitation of labour which, following the introduction of Law no. 199 of October 29, 2016 which reformulated art. 603-*bis* of the Criminal Code, also contemplates exploitation behaviours which leverage the state of need, crimes of seeking unlawful entry and favouring clandestine immigration introduced by art. 30, comma 4, of Law no. 161 of October 17, 2017, the new crimes linked to racism and xenophobia pursuant to art. 25-*terdecies* of Legislative Decree 231/2001, introduced by law no. 167 of November 20, 2017) and alignment with new regulations on whistleblowing introduced by Law no. 179 of November 30, 2017, by introducing a dedicated “Procedure for the management of reports of unlawful and irregular behaviour - whistleblowing”.

The Model contains a number of Protocols that summarize controls currently carried out by Cembre to monitor and limit risks relating to crimes. Protocols are communicated to all employees also through specific training courses.

The Company has also adopted a Group Code of Conduct, last updated at the Board meeting of November 14, 2018. The Code of Conduct constitutes an integral part of the Organization, Management and Control Model.

The Model provides for sanctions in case of violations of the Code of Conduct or the Model, as a fundamental requisite for the same.

In the year, the Supervisory Body, supported by the Internal Audit function, planned and carried out specific verifications on the correct application of Protocols contained in the Model (in particular, it reviewed the Consulting and professional services Management protocol, the Management of Cash Flows protocol, Environmental Management, Health and Safety on the Workplace and Management and Use of Company Information Systems).

At the Board of Directors meetings on March 13, 2018 and September 11, 2018, the periodic report on activities for 2018 of the Supervisory Body and the periodic report of the Supervisory Body, respectively, were read aloud.

In the performance of its current duties, the Supervisory Body is authorized to spend up to €10,000.00 per individual transaction, with no need for authorization, and is subject to authorization by the Board for higher amounts.

The Model and the Code of Conduct are available for consultation on the Company's institutional site [www.cembre.it](http://www.cembre.it) under the Cembre Group section.

#### **11.4. INDEPENDENT AUDITORS**

The accounts of the parent company and the consolidated accounts are audited by Ernst & Young S.p.A.

In this regard please note that, as the engagement assigned to PricewaterhouseCoopers S.p.A. came to an end, on April 26, 2018 the Shareholders' Meeting assigned the auditing engagement for the years 2018-2026 to Ernst & Young S.p.A., after the selection procedure pursuant to Regulation (EU) no. 537/2014 and upon the justified proposal of the Board of Statutory Auditors.

#### **11.5. MANAGER IN CHARGE OF DRAFTING THE ACCOUNTING AND CORPORATE RECORDS AND OTHER CORPORATE ROLES**

The manager in charge of drafting the accounting and corporate records of the Company is currently Claudio Bornati, employed by the Company as Director of Administration, Finance and Control, appointed by the Board on June 26, 2007.

Pursuant to article 16.7 of the By-laws, the manager in charge of drafting the accounting and corporate records must possess, in addition to the requisites of honourability prescribed by current regulations for those who cover administrative and directive positions, requisites of professionalism characterized by specific competence in administration and accounting. Such competence, to be ascertained by the Board of Directors, must be acquired through work experience in an adequate position of responsibility for an appropriate period of time.

The Manager in charge of drafting the accounting and corporate records is appointed by the Board of Directors, prior mandatory opinion of the Board of Statutory Auditors.

Upon the appointment, the Board endowed the Manager in charge of drafting the accounting and corporate records with adequate powers and means to fulfil his assignment. In particular, he is therefore entitled to:

- access all the information deemed necessary to fulfil his tasks, both within the Company and other Group companies, with the authority to view all documents relating to the drafting of the accounting and corporate records of the Company and of other Group companies, with further authority to request

clarifications to all subjects involved in the formation of the accounting records of the Company and of all other Group companies. It is moreover provided that the Managing Director and the managers of the Company and of other Group companies are required to inform without delay and to keep informed at all times the manager in charge of drafting the accounting and corporate records of any deed, fact or event that may influence, also potentially, the accounting records mentioned above;

- attending, without participating in, Board meetings;
- dialog with all administrative and control organs and with the Control and Risk Committee, pursuant to paragraph 7.C.2 of the Code;
- approve corporate procedures, when these have an impact on the financial statements, the consolidated financial statements or documents subject to the issue of a statement attesting their truthfulness;
- participate in the development of information systems that have an impact on the economic and financial situation of the Company;
- set up an adequate (in terms of number and professional level of resources) structure to carry out his tasks, using available internal resources, and, where necessary, outsourcing them;
- employ Internal Audit resources to map processes and in carrying out specific controls, in a client/supplier environment, and, in the event resources needed are not present internally, the power to outsource them;
- use for control purposes the Company's information systems.

In the performance of his current duties, the manager in charge of drafting the accounting and corporate records is authorized to spend up to Euro 10,000.00 per individual transaction, with no need for authorization, and is subject to authorization by the Board for higher amounts.

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It is noted that the organizational structure of the Company does not include any other role or position with specific assignments in the field of internal audit or management of risks other than those indicated above.

## **11.6. COORDINATION AMONG ENTITIES INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

Coordination among the various entities involved in the internal audit and risk management system (Board of Directors, Appointed Director, Control and Risk Committee, Board of Statutory Auditors, Person responsible for Internal Audit, Appointed Manager and Independent Auditing Firm) is ensured through a continuous flow of information between these entities and planned periodic meetings, allowing adequate visibility to potential corporate risks managed by the Cembre Group in addition to problems that have emerged and were brought to the attention of the various monitoring and control boards.

On November 14, 2018, the Board of Directors, in compliance with criteria 7.C.1 of the Code, expressed a positive opinion on the adequacy of the coordination between entities involved in the internal audit and risk management systems.

## **12. INTEREST OF THE DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES**

On November 11, 2010, the Board of Directors, having acknowledged the opinion in favour issued by the Board of Statutory Auditors and the Independent Directors, approved unanimously, with the abstention on each vote of interested parties, the procedure for dealing with related parties (the “**Related Parties Procedure**”) adopted pursuant to the Regulation.

The Company applies the Related Parties Procedure keeping into account Consob's Communication no. DEM/10078683 published on September 24, 2010 and containing "Guidelines and orientations for the application of the Regulation on Related Parties Dealing adopted with Resolution no. 17221 of March 12, 2010, as subsequently amended".

In the framework of the annual verification of the Related Parties Procedure, pursuant to article 3.1 of the same and in compliance with paragraph 6.1 of CONSOB Regulation DEM/10078683, at its Meeting of March 13, 2018, the Board, having heard the opinion of the three Independent Directors in office, resolved to make an amendment to the Related Parties Procedure as last amended on March 11, 2016 to update some normative references made in the Related Parties Procedure in compliance with the amendments made to Consob Related Parties Regulation and the Issuers' Regulation by Consob resolutions no. 19925 of March 22, 2017 and no. 19974 of April 27, 2017.

The Related Parties Procedure was most recently amended by the Board of Directors on May 14, 2018, after obtaining the positive opinion of the Independent Directors, to ensure that the same Committee may consist of a variable number of non-executive directors, provided that the majority are independent, also taking into account the composition of the Board of Directors at the time of appointment.

The Related Parties Procedure regulates the identification, approval and management of transactions with related parties. In particular, the Procedure:

- regulates the methods for the identification of related parties, defining procedures and timing for the drafting and update of the list of related parties, naming the corporate structures in charge;
- sets the rules for the identification of transactions with related parties prior to their conclusion;
- regulates the procedures for the carrying out of transactions with related parties by the Company, also through its subsidiaries as defined by article 93 of TUF, or any other company that is subject to its direction or coordination ("**Subsidiaries**");
- sets the procedures and timing for the compliance with disclosure requirements with respect to corporate organs and the public.

The Related Parties Procedure has been imparted as an instruction to all of Cembre's subsidiaries pursuant and for the purposes of art. 114, comma 2, TUF.

Pursuant to article 5 of the Related Parties Procedure, Directors who have a vested interest in a transaction must provide in a timely manner full information regarding the existence of a vested interest and the circumstances of the same to the Board, evaluating on a case by case basis the opportunity of leaving the meeting at the time at which the resolution is taken and to abstain from voting on the matter. The Managing Director shall abstain from carrying out the transaction. In these cases, the resolutions of the Board of Directors shall adequately explain the reasons and economic attractiveness of the transaction for the Company.

The Related Parties Procedure and the related enclosures may be consulted on the Company's institutional Internet site [www.cembre.it](http://www.cembre.it) in the *Investor Relations* section.

## **12.1 COMMITTEE FOR RELATED PARTIES DEALING**

At its meeting of November 11, 2010, the Board of Directors resolved to create within itself a Committee for Related Parties Dealing, made up by at least three non-executive Directors, the majority of which independent, attributing to it all the responsibilities provided for by the Related Parties Procedure and, in particular, the task of providing the Board, prior to the vote on a transaction with a related party, with a motivated non-binding opinion on the interest of the Company in the conclusion of the transaction and the correctness of the related operations.

The Committee for Related Parties Dealing, appointed at the Board meeting of April 23, 2015 and whose term of office came to an end at the date of the Shareholders' Meeting called to approve the financial statements at December 31, 2017, was made up by:

- Fabio Fada – Independent Director – acting as Chairman;
- Giancarlo Maccarini - Independent Director;
- Giovanni De Vecchi - Non-executive Director.

At its meeting on April 26, 2018, the Board of Directors decided to postpone the appointment of the new Committee for Related Parties Dealing to allow for an assessment of the appropriate amendments to the Related Parties Procedure.

The Board of Directors which met on May 14, 2018, after obtaining the favourable opinion of the Independent Directors, approved an amendment to the Related Parties Procedure to ensure that the same Committee may consist of a variable number of non-executive directors, provided that the majority are independent, also taking into account the composition of the Board of Directors at the time of appointment.

At the same meeting on May 14, 2018, the Board of Directors thus resolved to (i) establish that the Committee for Related Parties Dealing would have two members; (ii) appoint, as members of the Committee:

- Fabio Fada – Independent Director – acting as Chairman;
- Paola Carrara – Independent Director.

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

The appointment and replacement of Statutory Auditors is regulated by currently applicable norms and by article 23 of the Company's By-laws. The By-laws are compliant with regulations regarding the equal representation of both sexes in corporate boards as per article 148, comma 1-*bis* of TUF, as introduced by Law 120/2011 and rules for their implementation issued by Consob.

Pursuant to article 23 of the By-laws, lists submitted by Shareholders must be deposited at the Company's registered office at least twenty five days prior to the day of the first call of meeting.

The appointment of Statutory Auditors is based on lists submitted by the Shareholders that shall comply with current regulations regarding the equal representation of genders. No Shareholder, or Shareholders participating in a Shareholders' agreement relevant pursuant to article 122, TUF, as well as the parent company, any subsidiary or company under joint control pursuant to article 93, TUF, can submit or concur to submit more than one list, nor vote for more than one list submitted.

Lists containing a number of candidates equal or higher to three must be made up by candidates of both genders so that the least represented gender represents at least one fifth (upon the first appointment subsequent to August 12, 2012) and subsequently one third (as rounded up) of candidates to the position of Permanent Statutory Auditor, and at least one fifth (upon the first appointment subsequent to August 12, 2012) and subsequently one third (as rounded up) of candidates to the position of Substitute Statutory Auditor.

Lists may be submitted only by Shareholders who represent, either individually or jointly with other Shareholders, at least 2.5% (two point five per cent) of voting rights at any Shareholders' Meeting, or any other percentage limit established by other laws and regulations. Through management decision no. 13 of January 24, 2019, Consob set at 2.5% of voting rights the quorum for submitting lists of candidates to the position of Statutory Auditor of the Company. Statutory Auditors are elected as follows:

- a) two Permanent Statutory Auditors and one Substitute Statutory Auditor are drawn from the most voted list based on the order in which they are listed;
- b) one Permanent Statutory Auditor and one Substitute Statutory Auditor are drawn from the second voted list that is not connected, either directly or indirectly, in any way with any of the Shareholders that submitted the most voted list, based on the order in which they are listed;

In case of even vote between two or more lists, Statutory Auditors will be appointed by seniority.

In case through the above procedures it is not possible to obtain a composition of the Board of Statutory

Auditors in compliance with current regulations on the equal representation of genders, elected auditors will be replaced by the first candidate of the least represented gender in the order of the most voted list of candidates for Permanent Statutory Auditor until such requirement is met.

The Chairman of the Board of Statutory Auditors shall be appointed pursuant to applicable rules and regulations.

The above provision regarding the appointment of Statutory Auditors do not apply to Shareholders' Meetings

for which a single list is submitted or a single list is voted upon. In such cases the Shareholders' Meeting resolves on simple majority, with no prejudice to applying regulations on the equal representation of genders.

In case, at the expiration of the term for the presentation of lists, only one list has been submitted or only lists submitted by Shareholders that are connected in a manner that is relevant pursuant to applicable regulations are deposited, additional lists may be submitted for a term of three days subsequent to the expiration of the first term. In this case the minimum shareholding threshold required for list submission is halved.

At least two Permanent Statutory Auditors and at least one Substitute Statutory Auditor appointed must be registered accountants who must have exercised the accounting audit profession for at least three years. Statutory Auditors who do not possess the above requisite are chosen among professionals who have had at least three years of experience in:

- (a) management or control, with management appointments in joint stock companies with a capital stock of at least two million euro, or;
- (b) the exercise of professions or university teaching in the field of jurisprudence, economics, finance or technical and scientific subjects, inherent to the production and commerce of electromechanical tools, electric connectors and mechanical products in general, or;
- (c) management positions in public offices or the public administration in the banking, financial and insurance field, or in any case in the electromechanical sector.

Statutory Auditors are removed from their office in case he/she no longer possesses the requisites set by the By-laws for his/her appointment.

Statutory Auditors may not hold administration and control positions beyond the limits established by applicable laws and regulations. Where it does not result in separation, exceeding these limits constitutes just cause for revocation of the Statutory Auditor.

With no prejudice to other applicable rules and regulations, in the event of replacement of a Statutory Auditor, his/her place will be taken by the Substitute Auditor appointed from the same list as the one it replaces, while in the event of the replacement of the Chairman of the Board of Statutory Auditors, the successor will be chosen from auditors appointed from the list of the replaced Chairman.

#### **14. STATUTORY AUDITORS (ex art. 123-bis, comma 2, par. d) and d-bis), TUF)**

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on April 26, 2018 on the basis of the single list of candidates submitted by the majority shareholder Lysne S.p.A. and will remain in office until the date of the Shareholders' Meeting called to approve the Financial Statements at December 31, 2020. The list submitted by the majority shareholder Lysne S.p.A. obtained 13,751,023 votes in favour, equal to 100% of the voting capital.

For further information on lists of candidates to the Board of Statutory Auditors submitted, and view the curricula of Statutory Auditors, we refer to the Company's institutional site [www.cembre.it](http://www.cembre.it) in the *Investor Relations* section, where these are published.

The members of the Board of Statutory Auditors in office until the Shareholders' Meeting of April 26, 2018 were:

Name	Office held	Date of birth	First appointment	In office since	List	Indep. as per Code	% part. BoSA	Other positions*
Fabio Longhi	Chairman	12/23/1963	04/27/2012	04/23/2015	m	X	100	12
Rosanna Angela Pilenga	Permanent Statutory Auditor	12/07/1973	04/23/2015	04/23/2015	M	X	100	1



Andrea Boreatti	Permanent Statutory Auditor	02/29/1964	05/14/2004	04/23/2015	M	X	100	8
Maria Grazia Lizzini	Substitute Statutory Auditor	04/26/1945	04/30/1997	04/23/2015	M	X	n.a.	
Gabriele Baschetti	Substitute Statutory Auditor	04/30/1959	04/27/2012	04/23/2015	m	X	n.a.	

\* Number of other positions at December 31, 2018 (at April 26, 2018 for statutory auditors who left office during the year)

At December 31, 2018, the Board of Statutory Auditors was made up of the following:

Name	Office held	Date of birth	First appointment	In office since	List	Indep. as per Code	% part. BoSA	Other positions*
Fabio Longhi	Chairman	12/23/1963	04/27/2012	04/23/2015	M	X	100	10
Rosanna Angela Pilenga	Permanent Statutory Auditor	12/07/1973	04/23/2015	04/23/2015	M	X	100	1
Riccardo Astori	Permanent Statutory Auditor	09/09/1979	04/26/2018	04/26/2018	M	X	100	9
Maria Grazia Lizzini	Substitute Statutory Auditor	04/26/1945	04/30/1997	04/23/2015	M	X	n.a.	
Rosella Colleoni	Substitute Statutory Auditor	06/19/1960	04/26/2018	04/26/2018	M	X	n.a.	

\* Number of other appointments at December 31, 2018

LEGEND:

**Position:** indicates whether Chairman, Permanent Statutory Auditor or Substitute Statutory Auditor.

**List:** indicates (M/m) if the Statutory Auditor was elected by majority or minority list (art. 144-*decies*, of Consob Issuers' Regulation)

**Indep.:** indicates whether the Statutory Auditor may qualify as independent in compliance with Code criteria: please indicate at foot of table if criteria have been either integrated or modified

**% Part. BoSA:** please indicate percentage of Statutory Auditors' attendance in Board of Statutory Auditors' meetings (in calculating this percentage, consider the number of meetings attended vis-à-vis the number of meetings of the Board of Statutory Auditors in the year that took place after the appointment).

**Other positions:** please indicate total of positions covered in the Companies as per Libro V, Titolo V, Capi V, VI e VII (Book V, Charter V, Subpar. V, VI and VII) of the Italian Civil Code. For an update on administrative and control positions held by Statutory Auditors that are relevant pursuant to articles 144-*duodecies* and following of the Consob Issuers' Regulation, we refer also to the information published by Consob pursuant to art.144-*quinquiesdecies* of Consob Issuers' Regulation on the [www.consob.it](http://www.consob.it) Internet site under *Subjects and Markets/Appointments of Corporate Boards' Members*.

With regard to the corporate policies on gender balance in the composition of the Board of Statutory Auditors in office (Article 123-*bis*, letter d-*bis*), TUF), it is specified that: (i) one Permanent Auditor belongs to the less represented gender, in compliance with the legislation on gender balance; (ii) without prejudice to the requirements of professionalism provided by law, the formation and professional experience of the members of the Board of Statutory Auditors currently in office ensures that they possess the appropriate skills for the correct functioning of the Board and the fulfilment of its responsibilities.

No change in the composition of the Board occurred in the year 2019.

In the year, the Board of Statutory Auditors met ten times.

The Board of Statutory Auditors participated also in two meetings with the Independent Auditors.

The Board as a whole participated also to three meetings with the Control and Risk Committee and two meetings with the Supervisory Body, while its Chairman took part to two further meetings with the Supervisory Body, two with the Control and Risk Committee and two with the Appointments and Remuneration Committee.

The average duration of meetings was one hour and forty-seven minutes.

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The Board of Statutory Auditors verified the independence of its members during the meeting held on April 26, 2018 at the time of their appointment and at the meetings held on May 14, 2018 and on February 25, 2019.

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As it is deemed to be a responsibility carried with the position to inform other Statutory Auditors and the Chairman of the Board of Directors whenever individual auditors have, either directly or through third parties, an interest in an operation involving the Company, a specific obligation to do so was not introduced.

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Legislative Decree no 39/2010 as last amended by Legislative Decree 135/2016, attributes to the Board of Statutory Auditors the function of committee for internal control and accounting audit (the “**Committee for Internal Control and Accounting Audit**”) which, in particular, has the following tasks:

- to inform the competent body of the results of the legal audit and transmit to the same the additional report pursuant to art. 11 of Regulation no. 537/2014, accompanied by any comments;
- to monitor the financial reporting process and make recommendations or proposals aimed at guaranteeing its integrity;
- to monitor the effectiveness of the internal quality control and risk management systems of the Company and, if applicable, of the internal audit, as regards the financial information of the audited entity, without violating its independence;
- to monitor the independent audit of the Financial Statements and of the Consolidated Financial Statements, taking into account results and conclusions of the quality controls carried out by Consob pursuant to art. 26, paragraph 6, of the Regulation n. 537/2014, where available;
- to verify and monitor the independence of statutory auditors or independent audit firms pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and of art. 6 of Regulation no. 537/2014, in particular with regard to the adequacy of the provision of services other than auditing, pursuant to art. 5 of said Regulation;
- to be responsible for the procedure for selecting the statutory auditors or the independent auditors and making recommendations for statutory auditors or legal auditing firms to be appointed pursuant to art. 16 of Regulation no. 537/2014.

Further detail on the activity carried out in the year by the Board of Statutory Auditors is provided in the report issued by the same, enclosed in the financial statements.

The Board of Statutory Auditors, in addition to carrying out its customary monitoring role, requested formally through its Chairman, on February 11, 2019, to the Independent Auditors to disclose the nature and entity of possible services other than accounting audit provided to the Company and its subsidiaries by the same Independent Auditors and other connected entities.

The Board of Statutory Auditors (in its capacity of Internal Control and Audit Committee), as part of the tender procedure for the selection of the new independent auditing company, in accordance with current legislation (Legislative Decree 39/2010 and Regulation no. 537/2014) oversaw the whole selection process and made to

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the Board of Directors a recommendation for the appointment of an independent auditing firm for years 2018-2026.

The Board of Statutory Auditors, in the performance of its duties, held contacts with the Control and Risk Committee through the constant attendance of its Chairman to all meetings of the Committee.

#### **14.1 FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS**

Pursuant to article 22 of the By-laws, the Board of Statutory Auditors must meet at least quarterly. The meeting can be held also with participation from several locations through an audio/video connection, provided the following conditions apply, and this fact is recorded in the minutes of the meeting:

- that the Chairman is able to ascertain the identity of persons participating in the meeting and to regulate the meeting;
- that the secretary keeping the minutes is able to adequately perceive the events of the meeting for which the minutes are kept;
- that the persons convened are allowed to participate in the discussion and the subsequent voting on the issues in agenda, in addition to being able to view, receive and transmit documents.

The Board of Statutory Auditors is regularly convened when the majority of Statutory Auditors is present, and resolves by simple majority of auditors present.

Members of the Board of Statutory Auditors attend Shareholders' Meetings, those of the Board of Directors and of the Executive Committee. Auditors not attending without justification Shareholders' Meetings or, in a fiscal year, two Board of Directors' meetings or those of the Executive Committee, are removed from office.

The Board of Directors performs the duties attributed to it by Law and other applicable regulations.

The participation of the Chairman of the Board of Statutory Auditors and of individual Auditors to Board of Directors' meetings and the way in which information regarding meetings is communicated allow Auditors to achieve an adequate knowledge of the industry in which the Company operates, of corporate life and events and their evolution, in addition to relevant norms regulating the sector.

#### **15. RELATIONSHIPS WITH SHAREHOLDERS**

Main corporate documents are made available to Shareholders in a timely manner and on an ongoing basis on the Company's institutional website ([www.cembre.it](http://www.cembre.it) – *Investor Relations*).

The Company uses for the transmission of Regulated Information the eMarket SDIR circuit, and for the storage of regulated information, it makes use of the authorized storing mechanism named eMarket STORAGE that may be viewed on the [www.emarketstorage.com](http://www.emarketstorage.com) Internet site, both of which are managed by Spafid Connect S.p.A. (with registered office in Foro Buonaparte 10, Milan).

In particular, all press releases issued, financial documents approved by the respective corporate organs (annual report, half-year report and interim reports), in addition to documents distributed at meetings with institutional investors, analysts and the financial community, are published on the site, both in Italian and in English.

The institutional site also contains for consultation purposes main corporate governance documents (among which the annual Report on Corporate Governance), documents to be distributed at Shareholders' Meetings, the Organizational Model pursuant to Legislative Decree 231/2001, and the Code of Conduct, as well as all other documents and/or information required by law or regulation.

In compliance with the provisions of article 2.2.3, comma 3, par. i) of the Stock Market Regulation, relationships with Shareholders are managed by the Investor Relations Manager. The position is currently covered by Claudio Bornati (contact: [claudio.bornati@cembre.com](mailto:claudio.bornati@cembre.com)).

The Investor Relations Manager participated in the procedure for the handling of privileged information, managing relations with the Supervisory Body, contributing to the drafting of press releases and coordinating the flow of information to the financial community to ensure the full compliance with current regulations and confidentiality requirements.

## 16. SHAREHOLDERS' MEETINGS (ex art. 123-bis, comma 2, par. c), TUF)

Pursuant to article 12.7 of the By-laws “*the legitimacy to intervene in the Shareholder’s Meeting and to exercise the right to vote is attested by a communication to the Company made by the intermediary that is a certified public accountant, based on evidence contained in the accounting records as of the end of the seventh market opening day before the date of the Shareholders’ Meeting on first call, received by the Company within the term prescribed by Law*”.

Pursuant to article 12.2 of the By-laws, the Ordinary Meeting is called at least once a year to approve the financial statements within 120 days of the closing of the financial year, or within 180 days in case the Company is required to prepare consolidated financial statements and whenever particular needs relating to the peculiar structure and corporate objective of the Company so require. Extraordinary Shareholders’ Meetings are called, in addition of those cases and for the purposes provided for by law, whenever the Board of Directors deems it necessary. The Meeting shall be called without delay when a request has been made pursuant to the Law.

The notice of Meeting is made by the Board of Directors through a notice to be published at least thirty days before the date of the Meeting on the Company’s Internet site and, whenever required by applicable legislation, also through an abstract, the *Gazzetta Ufficiale della Repubblica Italiana* or, as an alternative, on newspaper “Il Giornale”.

Pursuant to article 14.2 of the By-laws, the Shareholders’ Meeting can convene on first or second call and, limited to the Extraordinary Meeting, on third call.

Pursuant to article 126-bis, TUF, Shareholders who, individually or jointly, represent one fortieth of the capital stock, can request – with the exception of the event in which the proposal made falls within the scope of the Board of Directors or is based on a project or report drafted by the same – at least ten days from the publication of the notice of Meeting (or five days in case the meeting is called pursuant to article 125-bis, comma 3, TUF or article 104, comma 2, TUF), an integration of items on the agenda, indicating in the petition the proposed issues, or submitting proposals for resolutions on issues already listed in the agenda. Shareholders requiring the integration of the agenda are required to prepare a report on the issues they wish to discuss and deliver it to the Board of Directors within the term provided.

Pursuant to article 2367 of the Civil Code, whenever Shareholders representing at least 5% of the voting rights so request, the Board of Directors must call without delay a Shareholders’ Meeting.

Article 127-ter TUF states that Shareholders entitled to vote are also entitled to pose questions on items in the agenda also before the Meeting. Questions posed before the Meeting will be addressed at the latest at the Meeting. The Company may choose to provide a comprehensive answer to all questions regarding the same issue. The notice of meeting indicates the term by which questions posed before the date of the Meeting must be received by the Company. The term may not be stricter than up to three days before the Meeting on first or single call, or five days whenever the notice of the meeting provides that the Company has to reply to said questions before the Shareholders’ Meeting. In this case replies are provided at least two days before the Meeting also through the publication in a specific section of the Company’s institutional Internet site.

Pursuant to article 13 of the By-laws, the Shareholders’ Meeting is chaired by the Chairman of the Board of Directors or, in his or her absence, by a person designated by the Meeting. The Chairman of the Meeting is responsible for verifying, with the aid of appointed persons, where appropriate, that the Meeting is regularly convened, ascertaining the identity and legitimacy of persons present, and conducts the Meeting, verifying the results of voting procedures.

The Shareholders’ Meeting must be conducted so that all the rightful participants can follow events with no delay and form independent opinions and express freely their vote in a timely manner.

To facilitate participation in the Meeting and the exercise of vote by Shareholders, article 13.7 of the By-laws provides for the possibility of holding the Meeting in different places contemporaneously, either contiguous or distant from each other, in video/audio conference, provided no prejudice is made to the collegial method and the principles of good faith and equal treatment.

The Ordinary Shareholders' Meeting is responsible for and has powers assigned to it by the Law and the By-laws of the Company. In particular, the Ordinary Shareholders' Meeting:

- a) approves the financial statements;
- b) appoints and revokes Directors, and appoints Statutory Auditors and the Chairman of the Board of Statutory Auditors;
- c) determines the compensation of Directors and Statutory Auditors, where not already determined in the By-laws;
- d) resolves on responsibilities of Directors and Statutory Auditors;
- e) approves Shareholders' Meetings rules;

The Extraordinary Shareholders' Meeting is responsible for:

- a) amendments to the By-laws, except in the case provided for by article 18, 3rd comma of the By-laws;
- b) appointment, replacement and setting of powers of liquidators, pursuant to article 26 of the By-laws;
- c) the issue of financial instruments as per article 6 of the By-laws;
- d) the issue of bonds, within the limits set by article 7 of the By-laws;
- e) other matters attributed to it by Law and pursuant to the By-laws.

The right of withdrawal may be exercised only within the limits and according to binding law provisions and, pursuant to article 10 of the By-laws, is in any case barred in case of:

- a) extension of the term of the Company;
- b) introduction, change or elimination of restrictions to the circulation of shares.

Pursuant to article 25 of the By-laws, net profits reported in the financial statements, less possible remuneration of Directors pursuant to article 21 of the By-laws, and of 5% of net profits to be accrued to the ordinary reserve until this has reached 20% of the share capital, are available to the Shareholders' Meeting for assignment to Shareholders as dividends, with no prejudice to any other resolution of the Meeting.

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The Board of Directors proposed the adoption of the *Rules for Shareholders' Meetings* (the Rules) regulating the correct and functional course of the Company's ordinary and extraordinary Shareholders' Meetings, guaranteeing to each Shareholder the right to speak at the meeting on the issues under discussion.

The *Rules* are available to Shareholders at the Company's headquarters, at the sites where the Shareholders' Meetings take place and on the Company's institutional site [www.cembre.it](http://www.cembre.it) in the *Investors Relations – Shareholders' Meetings* section.

Said *Rules*, whose approval and amendment are reserved – pursuant to article 11 of the By-laws – to the Shareholders' Meeting, regulate the conduction of Shareholders' Meetings and, in particular:

- the attendance of Meetings by experts, financial analysts, journalists, representatives of independent auditors and – where deemed useful – of employees of the Company or its subsidiaries;
- the access to the premises in which the Meeting takes place;
- the procedures used in verifying the right of individual Shareholders to speak at the Meeting, that the Meeting is legally convened and the opening of the Meeting;
- cases for a recess of Meetings;
- the discussion of issues, including the setting of a maximum duration for individual speeches (limit which can in any case be increased by the Chairman of the Meeting in view of the importance of the issue discussed) and for rebuttals;
- the voting procedure and that for disclosing results.

Pursuant to article 7 of the *Rules*, the Chairman of the Shareholders' Meeting is in charge of conducting the meeting, ensuring the regularity of the same, the correctness of the discussion and the right of individual

Shareholders to speak. Requests to speak on the issues under discussion can be submitted to the Chairman at the desk or by raising a hand from the moment the Meeting is declared convened until the Chairman declares closed the discussion on the related issue under discussion. In calling persons to speak, the Chairman normally follows the order of presentation of requests. Each Shareholder may only speak once on each individual issue under discussion, for a maximum of ten minutes (10'), except when, in view of the importance of one or more issues in agenda, the Chairman, in declaring the Meeting regularly convened, deems it appropriate to raise the time limit for each speech to twenty minutes (20').

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In the year only one Shareholders' Meeting convened on April 26, 2018 attended by all Directors leaving office except for Director Giancarlo Maccarini, whose absence was justified. At the Meeting, the Board of Directors reported on the activity carried out and future plans, providing Shareholders with adequate information regarding the elements necessary for the Meeting to resolve from an informed position on items in the agenda.

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With regard to Shareholders' rights not illustrated in the present report, we refer to currently applicable norms and regulations.

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At its meeting of March 11, 2019, the Board of Directors, pursuant to Application Criterion 9.C.4 of the Civil Code, did not deem it necessary to propose to the Shareholders' Meeting any amendment to the By-laws with regard to minimum percentages to qualify for the exercise of prerogatives of minority interests, as –in application of article 144-*quater* of Consob Issuers' Regulation regarding the presentation of lists of candidates to the position of Director and Statutory Auditor– articles 15.5 and 23.2 of the Company's By-laws require a minimum threshold of 2.5% of voting shares or a different percentage established or contained in laws and regulations. Through management decision of the Head of the *Corporate Governance* Division no. 13 of January 24, 2019, Consob set at 2.5% of voting rights the quorum for submitting lists of candidates to the position of Director and Statutory Auditor of the Company.

## **17. FURTHER CORPORATE GOVERNANCE PRACTICES**

The Company does not adopt any other corporate governance practice in addition to those provided for laws and regulations and to those described in the present Report.

## **18. CHANGES OCCURRED FROM THE CLOSING OF THE FINANCIAL YEAR**

No changes in the corporate governance structure of the Company occurred from the closing of the financial year, other than those specifically mentioned in the present Report.

## **19. CONSIDERATIONS ON THE LETTER OF DECEMBER 21, 2018 OF THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE**

The letter dated December 21, 2018, sent by the Chairman of the Corporate Governance Committee to the Chairmen of the Boards of Directors of Italian listed companies, was brought to the attention of the Company's Board of Directors in the meeting of March 11, 2019, as well as to the Board of Statutory Auditors at the meeting of February 25, 2019 and the Control and Risks Committee at the meeting of February 25, 2019.

The Board took note of the analysis and recommendations contained in the letter and noted the overall compliance of the Company with respect to indications regarding the quality of the information provided prior to the meeting (see paragraph 5.3 of this Report), the application of independence criteria (see paragraph 5.7 of this Report), the methods for conducting the board review (see paragraph 5.4 of this Report) and the

adequacy of policies regarding remuneration with reference to the pursuit of the objective of sustainability of business activities in the medium-long term (see paragraph 9 of this Report and the Report on Remuneration prepared pursuant to Article 123-*ter* of the TUF).

Brescia, March 11, 2019

for the Board of Directors

The Managing Director of CEMBRE S.p.A.

Mr. Giovanni ROSANI