



**LANDI RENZO S.p.A.**

**REPORT**  
**ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**  
pursuant to article 123-*bis* of the Consolidated Finance Act  
(traditional administration and control model)

Issuer: Landi Renzo S.p.A.

Web Site: [www.landirenzogroup.com](http://www.landirenzogroup.com)

Financial period covered by the Report: year ended 31 December 2018

Date of approval of the Report: 14 March 2019

## CONTENTS

1.	ISSUER PROFILE .....	5
2.	INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-B/S, SUBSECTION 1, OF THE CONSOLIDATED FINANCE ACT) AS AT 31 DECEMBER 2018.....	5
3.	COMPLIANCE.....	10
4.	BOARD OF DIRECTORS .....	11
4.1	APPOINTMENT AND REPLACEMENT OF DIRECTORS, AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION (PURSUANT TO ARTICLE 123-B/S, SUBSECTION 1, LETTER L) OF THE CONSOLIDATED FINANCE ACT) .....	11
4.2	COMPOSITION (PURSUANT TO ARTICLE 123-B/S, SUBSECTION 2, LETTERS D) AND D-B/S) OF THE CONSOLIDATED FINANCE ACT) .	14
4.3	ROLE OF THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-B/S, SUBSECTION 2, LETTER D) OF THE CONSOLIDATED FINANCE ACT).....	21
4.4	DELEGATED BODIES.....	24
4.5	OTHER EXECUTIVE DIRECTORS.....	30
4.6	INDEPENDENT DIRECTORS.....	30
4.7	LEAD INDEPENDENT DIRECTOR.....	32
4.8	GENERAL MANAGER.....	32
5.	HANDLING OF CORPORATE INFORMATION .....	33
6.	COMMITTEES WITHIN THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-B/S, SUBSECTION 2(D), OF THE CONSOLIDATED FINANCE ACT).....	33
7.	APPOINTMENT COMMITTEE .....	34
8.	REMUNERATION COMMITTEE .....	34
9.	DIRECTORS' REMUNERATION .....	35
10.	AUDIT AND RISK COMMITTEE.....	35
11.	INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM.....	39
11.1	DIRECTOR IN CHARGE OF SUPERVISING THE OPERATION OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM.....	43
11.2	HEAD OF THE INTERNAL AUDIT FUNCTION .....	43
11.3	COMPLIANCE MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001 .....	45
11.4	AUDITING FIRM.....	46
11.5	EXECUTIVE IN CHARGE OF PREPARING CORPORATE ACCOUNTING DOCUMENTS .....	46
11.6	CO-ORDINATION OF PERSONS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM.....	46

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES .....	47
13. APPOINTMENT OF STATUTORY AUDITORS .....	48
14. COMPOSITION AND ACTIVITY OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-BIS, SUBSECTIONS 2, Letter D) and D-bis) OF THE CONSOLIDATED FINANCE ACT).....	51
15. RELATIONS WITH SHAREHOLDERS.....	56
16. SHAREHOLDERS' MEETINGS (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2(C) OF THE CONSOLIDATED FINANCE ACT).....	56
17. FURTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, SUBSECTION 2(A) OF THE CONSOLIDATED FINANCE ACT).....	57
18. CHANGES SINCE THE CLOSING OF THE REFERENCE PERIOD.....	58
19. CONSIDERATIONS ON THE LETTER DATED 21 DECEMBER 2018 FROM THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE .....	58
<b>TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE.....</b>	<b>60</b>
<b>TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES .....</b>	<b>61</b>
<b>TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS .....</b>	<b>63</b>

## GLOSSARY

**Board of Statutory Auditors:** the Issuer's Board of Statutory Auditors.

**Board or Board of Directors:** the Issuer's Board of Directors.

**Borsa Italiana:** Borsa Italiana S.p.A.

**Civil Code:** the Italian Civil Code.

**Consob Market Regulations:** the regulations issued by Consob by virtue of Resolution 20249 of 2017 regarding legislation for the stock markets.

**Consolidated Finance Act:** Legislative Decree 58 of 24 February 1998 (the Italian Consolidated Finance Act), as amended.

**Instructions to the Stock Market Regulations:** the instructions to the regulations of Borsa Italiana.

**Issuer, Landi Renzo or the Company:** Landi Renzo S.p.A.

**Issuers' Regulations:** the regulations issued by Consob by virtue of Resolution 11971/1999 (and subsequent amendments) regarding legislation for issuers.

**Period:** the financial period covered by the Report, i.e. the financial year ended on 31 December 2018.

**Related Party Transactions Regulations:** the Regulations issued by Consob by virtue of Resolution 17221 of 12 March 2010 (and subsequent amendments) regarding transactions with related parties.

**Report:** this report on corporate governance and the structure of ownership that companies are obliged to prepare in accordance with Article 123-*bis* of the Consolidated Finance Act for the reference Period.

**Self-Regulatory Code:** the self-regulatory code for listed companies approved by the Corporate Governance Committee in July 2018 and promoted by Borsa Italiana, Abi, Ania, Assogestioni, Assonime and Confindustria, publicly available on the Corporate Governance Committee website at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

**Stock Market Regulations:** the regulations of the stock markets organised and managed by Borsa Italiana.

## 1. ISSUER PROFILE

The Issuer has adopted a traditional system of governance based on the presence of three bodies: the Shareholders' Meeting, the Board of Directors and the Board of Auditors. The auditing of the accounts is entrusted by law to an auditing firm. The Issuer adheres to the Self-Regulatory Code in accordance with the method described below.

The Issuer falls within the definition of small and medium-sized businesses (PMIs) under Article 1(1)(w)-*quater*.1 of the Consolidated Finance Act and Article 2-*ter* of the Issuers' Regulations, having recorded in 2017 an average market capitalisation of Euro 100,307,968 and a turnover of Euro 206,294,000 as of 31 December 2017.

The following sections provide information regarding the ownership structure and describe the relative and actual methods of implementation that the Company has already adopted, namely the changes that the Company is pursuing with respect to the compliance model outlined in the Self-Regulatory Code.

This Report, prepared in accordance with the regulatory requirements laid down for companies listed on the screen-based equity market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana, together with all the documents referred to herein, may be downloaded from the Company's website [www.landirenzogroup.com/it/](http://www.landirenzogroup.com/it/), Investors section.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 1, OF THE CONSOLIDATED FINANCE ACT) AS AT 31 DECEMBER 2018

This section 2 has been prepared pursuant to the terms and effects of Article 123-*bis*, subsection 1, of the Consolidated Finance Act. Any information (i) required by the aforesaid Article 123-*bis*, subsection 1, letter i) of the Consolidated Finance Act is provided in the Report on remuneration published pursuant to Article 123-*ter* of the Consolidated Finance Act, (ii) the information required by the aforesaid Article 123-*bis*, subsection 1, letter l) of the Consolidated Finance Act is provided in the chapter of the Report dealing with the Board of Directors (Section 4.1), and finally, (iii) the other information required by article 123-*bis* of the Consolidated Finance Act that is not mentioned in this section 2, is to be understood as not applicable to the Company.

### (a) **Shareholding structure (pursuant to article 123-*bis*, subsection 1, letter a) of the Consolidated Finance Act)**

Landi Renzo's share capital is equal to Euro 11,250,000, fully subscribed and paid up, and consists of 112,500,000 ordinary shares with a nominal value of Euro 0.10 each (the "**Shares**"), traded on the screen-based equity market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana. This information is also shown in table 1 attached to the Report.

As of the date of this Report, no special classes of shares have been issued, such as shares without voting rights or with limited voting rights, nor other securities granting the right to subscribe newly issued shares.

On 9 April 2015, Landi Renzo's Board of Directors approved by resolution the issue of a bond called "LANDI RENZO 6.10% 2015-2020", in the amount of Euro 34 million,

having a term of five years and paying a gross fixed interest rate of 6.10%, with a coupon paid every six months in arrears, as provided under the rules approved on 9 April 2015 and subsequently amended on 7 March 2016, 30 December 2016, 30 March 2017 and, most recently, on 28 December 2018. In particular, on 30 March 2017, the Shareholders' Meeting approved, among other things, the postponement of the maturity date of the notes from 15 May 2020 to 31 December 2022, consequently renaming the notes "LANDI RENZO 6,10% 2015-2022". On 28 December 2018, the Bondholders' Meeting approved to postpone from 31 December 2018 to 31 December 2019 the deadline by which propose to the Shareholders' Meeting the approval of the capital increase envisaged by the terms and conditions of the bonds.

On 14 May 2015, the security was admitted for trading on the Extra MOT PRO Segment of Borsa Italiana S.p.A. and was subscribed for and placed by Banca Popolare di Vicenza SCpA and KNG Securities LLP with primary Italian and European institutional investors.

Further details are available on the Company's website at [http://www.landirenzogroup.com/it/ 3](http://www.landirenzogroup.com/it/3).

(b) **Restrictions on the transfer of securities (pursuant to article 123-bis, subsection 1, letter b) of the Consolidated Finance Act)**

As of the date of this Report, the Shares are freely transferable by deed *inter vivos* and/or by succession *mortis causa* and are subject to the circulation regime envisaged for shares issued by listed companies registered under Italian law.

(c) **Significant shareholdings (pursuant to article 123-bis, subsection 1, letter c) of the Consolidated Finance Act)**

As of the date of this Report, on the basis of the records in the shareholders' book and in the light of the notifications received under Article 120 of the Consolidated Text, the following parties, directly or indirectly, own more than 5% of the Company shares (this information is also presented in table 1, attached to this Report).

Declarant	Direct shareholder	% of issued shares	% of shares with voting rights
Trust Landi (trust regulated by Jersey law, in which trustee is Stefano Landi)	Girefin S.p.A.	54.662	68.709
	Gireimm S.r.l.	4.4444	5.5866
Aerius Investment Holding AG	Aerius Investment Holding AG	8.3556	5.2514

(d) **Securities to which special rights are attached (pursuant to article 123-bis, subsection 1, letter d) of the Consolidated Finance Act)**

As of the date of this Report, the Company's Shares are registered, freely transferable and indivisible. Without prejudice to the provisions below on loyalty shares' increased

voting rights, each share confers the same proprietary and administrative rights in accordance with the applicable provisions of law and of the articles of association.

On 24 April 2015, Landi Renzo's Shareholders' Meeting amended the Company's articles of association in order to introduce a loyalty shares mechanism giving rise to increased voting rights for such shares (as provided by article 20, first paragraph, of law decree no. 91 of 24 June 2014, converted by law no. 116 of 11 August 2014), whereby, if a shareholder is registered in the specific register kept by the Company for a certain number of shares, after a vesting period of 24 months, the shareholder will be entitled to a double vote in relation to such shares.

At the following meeting held on 27 August 2015, the Company's Board of Directors approved the Rules on loyalty shares giving rise to increased voting rights which govern, *inter alia*, the procedures for requesting registration in the dedicated special list provided under art. 127-*quinquies*, paragraph 2, of the Consolidated Finance Act. Further details are available on the Company's website [http://www.landirenzogroup.com/it/maggiorazione\\_del\\_voto](http://www.landirenzogroup.com/it/maggiorazione_del_voto).

It should be noted that, on 7 November 2017, increased voting rights were granted in relation to 61,495,130 and 5,000,000 ordinary shares of Landi Renzo, owned respectively by Girefin S.p.A. and by Gireimm S.r.l., and, respectively, on 8 January 2018 and on 7 September 2018, in relation to additional 700 ordinary shares of Landi Renzo and 5,000 ordinary shares of Landi Renzo, pursuant to art. 127-*quinquies* of the Consolidated Finance Act, and implementing the provisions of the Company's articles of association.

Pursuant to Art. 6-*ter* of the Company's articles of association, increased voting rights do not affect any other right other than voting rights, to which shareholders are entitled and may exercise by virtue of their ownership in the corporate capital, and similarly, among other things, they do not affect the calculation of the percentage of corporate capital owned for the submission of slates of candidates for membership in the company's bodies, for exercise of liability actions pursuant to Article 2393-*bis* of the Civil Code, and the percentage of corporate capital required to challenge, for any reason, the resolutions of the Shareholders' Meeting.

As of the date of this Report, the number of Landi Renzo's shares is 112,500,000, corresponding to 179,000,830.00 voting rights at the Company's ordinary and extraordinary Shareholders' Meeting.

(e) **Employees' shareholdings: mechanism for the exercise of voting rights (pursuant to article 123-*bis*, subsection 1, letter e) of the Consolidated Finance Act)**

As of the date of this Report, there are no arrangements for employees to hold shares in the Company.

(f) **Restrictions on voting rights (pursuant to article 123-*bis*, subsection 1, letter f) of the Consolidated Finance Act)**

As of the date of this Report, there are no restrictions on voting rights.

(g) **Shareholders' agreements (pursuant to article 123-bis, subsection 1, letter g) of the Consolidated Finance Act)**

As of the date of this Report, the Company is not aware of any agreements among Shareholders as per Article 122 of the Consolidated Finance Act.

(h) **Change of control clauses (pursuant to article 123-bis, subsection 1, letter h) of the Consolidated Finance Act)**

As of the date of this Report, neither the Company nor its subsidiaries have stipulated any important agreements that take effect, are amended or are terminated in the event of any change in the Issuer's major shareholder, with the exception of the agreement to optimise the Group's financial structure, executed on 27 March 2017 by the Company and its subsidiaries A.E.B. S.p.A. (later merged by absorption into Landi Renzo effective as from 21 December 2017), Eighteen Sound S.r.l. and Sound&Vision S.r.l. (later transferred to B&C Speakers S.p.A. on 11 December 2017, and which therefore are no longer parties to the agreement, given they are no longer Group companies), SAFE S.p.A., Lovato Gas S.p.A., and Emmegas S.r.l. (later merged by absorption into Landi Renzo effective as from 30 October 2018), with banking institutions ("**Optimisation Agreement**"). The Optimisation Agreement, provides for, *inter alia*, the postponement to 2022 of the maturity date of the indebtedness of the Company and the other Group companies signatories to the agreement, changes in the amount of the instalment repayments, providing for ascending amounts consistently with the cash flow objectives under the Business Plan, the amendment of the financial covenants, so as to be more aligned with the Group's business prospects and profit forecast, and the confirmation of the short-term facilities on the terms and conditions agreed in the Optimisation Agreement and for amounts coherent with the needs described in the Business Plan.

The terms of the Optimisation Agreement call for termination of the agreement pursuant to article 1353 of the Civil Code in case (i) Mr Stefano Landi, Mrs Giovannina Domenichini and Mrs Silvia Landi together cease to hold -- directly or indirectly (also through fiduciary companies, trusts or similar vehicles) -- 66.7% of the voting share capital in Girefin S.p.A., or, although holding at least 66.7% in Girefin S.p.A.'s corporate capital, they cease to exercise control over Girefin S.p.A. within the meaning of article 93 of the Consolidated Finance Act; and/or (ii) Girefin S.p.A. ceases to hold -- directly or indirectly -- 66.7% of the voting share capital in Gireimm S.r.l., or, although holding at least 66.7% of Gireimm S.r.l.'s share capital, it ceases to exercise control over Gireimm S.r.l. within the meaning of article 93 of the Consolidated Finance Act; and/or (iii) Mr Stefano Landi ceases to hold -- directly or indirectly -- at least 50.1% of the Company's shares with voting rights, or, although holding at least 50.1% of the Company's shares with voting rights, he ceases to exercise control over the Company within the meaning of article 93 of the Consolidated Finance Act.

(i) **Delegated powers to increase share capital, and authorisations to purchase treasury shares (pursuant to article 123-bis, subsection 1, letter m) of the Consolidated Finance Act)**

The Shareholders' Meeting of 24 April 2018, after it revoked the resolution it had approved on 28 April 2017 to the extent not yet implemented, authorised the Board of



Directors, and the Managing Director acting on behalf of the said Board, also through its own attorneys appointed for this purpose, pursuant to, and for the purposes of, article 2357 of the Civil Code, to purchase Company's treasury shares, in quantities, at the price, and under the terms and conditions reported below:

- the shares may be purchased on one or more occasions, within the 18 months following the date of the shareholders' meeting's resolution, within the limits of the reserves available and profit available for distribution shown in the last approved financial statements, and will be recorded in the accounts in accordance with the legislative provisions and accounting principles applicable to listed companies, that is, in accordance with the provisions of article 144-*bis* of the Issuers' Regulations and article 132 of the Consolidated Finance Act, and in accordance with the provisions of the Stock Market Regulations and of all other applicable regulations, including those established by Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 and its EU and national implementing regulations, including among others the assignment to the shareholders, proportionally to shares owned by each, of a put option to be exercised within a term to be set in the resolution of the Shareholders' Meeting that approves the purchase plan;
- the purchase price of each share shall be no more than 20% higher or lower than the reference price recorded by the securities on the Stock Market in the session preceding each transaction and in any event shall not exceed the higher of the price of the last independent transaction and the price of the highest current, independent purchase offer in the trading venue where the purchase is made, even when the shares are traded in various trading venues;
- the maximum number of shares purchased may not have an aggregate nominal value, including any shares held by the subsidiaries, higher than one-fifth of the share capital.

On the same occasion the Shareholders' Meeting also resolved:

- under Article 2357-*ter*, subsection 1, of the Civil Code, to authorise the Board of Directors to dispose, in whole or in part, without any time limits, of its treasury shares in portfolio, possibly even before having completed the purchases, where permitted under applicable EU and national law and regulations; shares may be sold, on one or more occasions, also through offerings to the public and/or the Shareholders, on regulated markets and/or unregulated markets, or off-market, also by offering them to the public and/or to Shareholders, by institutional placement, by placement of purchase coupons and/or warrants or as a consideration for acquisitions or public swap offers at a price that must not be more than 20% lower or higher than the reference price recorded by the security on the Stock Market in the session preceding each transaction; nevertheless, these price limits will not apply if the shares are sold to employees, including executives, executive directors or collaborators of Landi Renzo and its subsidiaries within the framework of stock option incentive plans intended for such persons;

- under Article 2357-*ter*, subsection 3, of the Civil Code, to authorise the Board of Directors to make all the accounting entries necessary or opportune, as regards transactions involving treasury shares, in compliance with those legal provisions in force and with the applicable accounting principles.

As of the date of this Report, the Company has neither purchased nor disposed of any treasury shares.

The Board of Directors' meeting of 14 March 2019 resolved to submit to the Shareholders' Meeting a proposal to extend the power to purchase and dispose of treasury shares under the same terms and conditions as approved by the previous shareholders' meeting, subject to withdrawal of the previous authorisation to the extent not used.

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

Landi Renzo deems that Girefin S.p.A. does not carry out management and coordination activities, operating as the former does completely free of any entrepreneurial or corporate control by the latter controlling company. For example, Landi Renzo independently manages its treasury and business relations with customers and suppliers, and independently establishes its own industrial plans and/or budgets.

\*\*\*

The information requested by article 123-*bis*, first paragraph, letter i), of the Consolidated Financial Act (benefits for directors in case of resignation, dismissal or termination of employment following public tender offers) are described in the report on remuneration published pursuant to article 123-*ter* of the Consolidated Finance Act.

The information requested under article 123-*bis*, first paragraph, letter l) of the Consolidated Finance Act (appointment and replacement of directors and changes to the articles of association other than those required under the laws and regulations) are described in the section of the Report devoted to the Board of Directors.

### 3. COMPLIANCE

Landi Renzo has complied with the provisions and recommendations of the Self-Regulatory Code drafted by the Listed Companies' Corporate Governance Committee and published in March 2006, as amended (the "**Self-Regulatory Code**"), publicly available on the Corporate Governance Committee website at page <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

Neither the Issuer nor its subsidiaries of strategic importance, are subject to provisions of any laws other than Italian law affecting the Issuer's corporate governance structure.

## 4. BOARD OF DIRECTORS

### 4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS, AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 1, LETTER L) OF THE CONSOLIDATED FINANCE ACT)

The Shareholders' Meeting establishes the number of members of the Board of Directors, at the time of their appointment, within those limits set out in subsection 4.2 below. The directors shall hold office for a period of no more than three financial years, and they may be re-elected.

Under Article 14 of the Company's articles of association, regarding the appointment and replacement of the Board of Directors and/or its members, establishes that the members of the Board of Directors are elected from lists of candidates according to the following procedures, in compliance with legislation, including regulatory, on gender balance in force at the time. Shareholders holding, even jointly, at least 2.5% of the share capital representing shares that confer voting rights at shareholders' meetings held to deliberate the appointment of the members of the governing body, or such other proportion of the share capital as may be determined at any one time by Consob, in accordance with the rules applicable to the Company, may present a list of candidates, the number of which shall not be greater than the number of directors to be elected, where candidates are listed in a progressive order. This level of ownership is consistent with that determined by Article 144-*quater* of the Issuers' Regulations for companies with a market capitalisation of up to Euro 1 billion. The notice calling the shareholders' meeting will state the level of ownership required to present a list of candidates.

Each shareholder, the shareholders adhering to a shareholders' agreement relevant under Article 122 of the Consolidated Finance Act, the parent company, the subsidiary companies and companies subject to joint control, may not present or join in the presentation of more than one list, not even through a third party or a trust company, nor may they vote for different lists, and each candidate may only stand in one list, otherwise they will be adjudged ineligible. Candidatures and votes expressed in breach of this restriction shall not be attributed to any list.

Lists must be deposited at the Company's registered office at least 25 (twenty-five) days prior to the date scheduled for the Shareholders' Meeting, without prejudice to other forms of publicity provided for by law, including regulatory provisions, in force at the time. The notice calling the shareholders' meeting will provide instructions to allow remote deposit of the list by distance communication. Ownership of the amount of shares required to present a list must be proven with the methods and at the terms required under the law and regulatory provisions in force at the time. Should mandatory gender allocation criteria be applicable, each list that presents at least 3 (three) candidates shall include a number of candidates of the least represented gender equal to the minimum requested by applicable law and regulatory provisions in force at the time. Those documents provided for by article 14 of the Issuer's articles of association and by the applicable provisions of law and regulations shall be presented together with each list.

Within the above terms, the following must be deposited together with each list: (i) information regarding the identity of the shareholders that presented the list and the percentage of ownership they hold in the aggregate; (ii) the declarations whereby each candidate accepts to be a candidate and attests, under his or her own responsibility, that no circumstances giving rise to his or her ineligibility or incompatibility exist and that he or she meets all the requisites under the law to accept the office; (iii) any candidate's declaration whereby the candidate attests, under his or her own responsibility, that he or she meets the independence

requirements in accordance with applicable laws and regulations; and (iv) the *curricula vitae* of each candidate, containing exhaustive information on the candidate's personal and professional background, and listing any offices held by the candidate on the governing or supervisory bodies of other companies. Those lists presented without observing the aforesaid provisions shall be deemed as not presented.

Each eligible person has the right to vote for one list. When voting has been completed, those candidates from the two lists who have obtained the greatest number of votes shall be elected, according to the following principles:

- a) from the list that has obtained the highest number of votes (the "**Majority List**"), the same number of directors shall be elected as make up the Board of Directors, as established beforehand by the Shareholders' Meeting, minus; members are taken, in accordance with the said numerical limitation, on the basis of the numerical order in which they appear in the list;
- b) from the list that has obtained the second largest number of votes, provided that it is not connected in any manner, even indirectly, in accordance with the applicable laws and regulations, with the shareholders that presented or voted for the Majority List (the "**Minority List**"), one Director is taken, and that Director shall be the one who appears first, in numerical order, on that list.

The candidate chosen as number one candidate on the Majority List shall be elected Chairperson of the Board of Directors.

Unless otherwise provided for, in the event of parity of votes, the senior candidate shall be elected.

In the event that following the election of candidates in the aforesaid manner, a number of independent directors have not been appointed, in accordance with the provisions of the law governing auditors, equal to the minimum number established by law in relation to the overall number of members of the Board of Directors, then the first non-independent candidate elected in numerical order from the Majority List, shall be replaced by the first independent candidate (in numerical order) not elected taken from the same list, or in the absence thereof, by the first independent candidate (in numerical order) not elected taken from the other lists, according to the number of votes that each candidate has obtained. This replacement procedure shall be followed until the independent directors – pursuant to the legal provisions governing statutory auditors - elected to the Board of Directors is at least equal to the legal minimum. Finally, should this procedure fail to provide the aforesaid result, then replacement shall be established by a resolution passed by the relative majority of the Shareholders' Meeting, subject to the presentation of candidates possessing the aforesaid requirements.

In addition, in the event that following the election of candidates in the aforesaid manner, a composition of the Board of Directors has not been reached in accordance with the provisions of the law on gender balance in force at the time, then the last candidate of the less represented gender elected in a numerical order from the Majority List shall be replaced by the first candidate of the less represented gender (in numerical order) not elected taken from the same list, or in the absence thereof, by the first candidate of the less represented gender (in numerical order) not elected from the other lists, according to the number of votes that each candidate has obtained. This replacement procedure shall be followed until a composition of the Board of Directors is reached which complies with the laws on gender balance in force at the time.

Finally, should this procedure fail to provide the aforesaid result, then replacement shall be established by a resolution passed by the relative majority of the Shareholders' Meeting, subject to the presentation of candidates belonging to the less represented gender.

Should the first two or more lists obtain the same number of votes, then the shareholders' Meeting shall vote again, this time for those lists only. The same rule shall apply in the event of parity between those lists coming second in terms of numbers of votes that are not connected, directly or indirectly, with those shareholders who have presented or voted for the competing list.

In the event of further parity between lists, the list presented by shareholders possessing the majority shareholding, or subordinately by the list presented by the greatest number of shareholders, shall prevail. In all aforementioned cases, the composition of directors shall secure compliance with the aforesaid requirement of gender balance, where so required by law provisions and regulations in force at the time.

In the event of only one list, or no list, being presented, the Shareholders' Meeting shall decide according to the majorities established by law, without having to observe the abovementioned procedure, without prejudice for compliance with the gender balance requirement specified above, where required by law provisions and regulations in force.

For the purpose of the division of those directors to be elected, no account shall be taken of lists that have failed to gain a percentage of votes at least equal to one half of the number required by the present articles of association, or by Consob, for the presentation thereof.

If, during the course of the year, one or more Directors are missing, then in order to ensure that the majority continues to be constituted by directors appointed by the Shareholders' Meeting, the following procedure shall be followed, in accordance with article 2386 of the Civil Code:

- (a) the Board of Directors shall arrange for the replacement of the missing director from among those belonging to the same list as the latter, and the Shareholders' Meeting shall vote, in accordance with the legally-required majorities, in observance of the same principle;
- (b) in the event that the aforesaid list does not contain candidates not previously elected, or candidates with the called-for requirements, or for any reason it is not possible to observe (a) above, then the Board of Directors shall arrange for the replacement, and the Shareholders' Meeting shall vote for said replacement, in accordance with the legal majorities of those without a list vote.

In any case, the Board of Directors and the Shareholders' Meeting shall proceed to make the appointment in order to ensure the minimum number of independent directors required by the law in force at the time, subject to compliance with the aforementioned gender balance requirement, where so prescribed by law and regulatory provisions in force at the time.

However, should the majority of directors cease to exist, then the entire Board of Directors shall be deemed as having resigned, with effect from its reconstitution.

At least one of the members of the Board of Directors, or two if the Board is composed of more than seven members (or of a different minimum number required by the applicable regulation),

shall satisfy the criteria of independence called for in the case of statutory auditors by the law and regulatory provisions in force at the time.

The independent director, pursuant to the provisions of the law governing statutory auditors, who subsequent to his/her appointment, no longer satisfies the requirements of independence, shall immediately notify the Board of Directors of this circumstance, and shall no longer hold office. A director's loss of independence, as defined above, shall not automatically lead to loss of office if the said requirement is satisfied by the minimum number of directors as established by the laws in force, or by the codes of conduct that the Company has declared it abides by.

It should be noted that the Board of Directors, having considered the structure and the size of the Group, has not adopted any succession plan for executive directors as it deems that the replacement procedures adopted are adequate to guarantee the continuity and certainty of corporate governance.

#### **4.2 COMPOSITION (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2, LETTERS D) AND D-BIS) OF THE CONSOLIDATED FINANCE ACT)**

Under Article 14 of the articles of association, the Company is governed by a Board of Directors comprised of five to nine members, who need not be shareholders, as previously decided by the Shareholders' Meeting at the times of the appointment of the Board of Directors.

On 29 April 2016 the Shareholders' Meeting appointed the Board of Directors, setting the number of its members at eight. The Directors will serve until the approval of the financial statements for the period ending on 31 December 2018.

The members of the Board of Directors have been elected from two different lists: (a) seven Directors were elected from list number 1), presented jointly by the majority Shareholders Girefin S.p.A. and Gireimm S.r.l., while (b) one Director was elected from list number 2), presented by the minority Shareholders Aerius Investment Holding AG.

List number 1) set out the following candidates:

- Stefano Landi, born in Reggio Emilia, on 30 June 1958, Chairman;
- Giovannina Domenichini, born in Casina (Reggio Emilia), on 6 August 1934, Director;
- Claudio Carnevale, born in Nole Canavese (Turin), on 5 April 1961, Director;
- Angelo Iori, born in Reggio Emilia, on 11 December 1954, Director;
- Sara Fornasiero, born in Merate (Lecco), on 9 September 1968, Independent Director;
- Ivano Accorsi, born in Correggio (Reggio Emilia), on 14 July 1938, Independent Director;
- Silvia Landi, born in Reggio Emilia, on 8 June 1960, Director;
- Elisa Talignani Landi, born in Scandiano (Reggio Emilia), on 11 March 1984, Director.

List number 2) sets out the following candidates:

- Anton Karl, born in Mistelbach (Austria), on 16 March 1976, Independent Director;
- Mark Kerekes, born in Lienz (Austria), on 30 May 1976, Director;
- Herbert Paierl, born in Prebensdorf (Austria), on 26 May 1952, Director.

As specified in the press release issued by the Issuer on 8 April 2016, the above-mentioned list included a number of candidates belonging the less represented gender lower than the minimum number provided by the Issuer's articles of association. However, on 8 April 2016 a notice was received containing Herbert Paierl's waiver to nomination as director due to unexpected professional commitments. As a result of such waiver, the list included therefore two candidates: Anton Karl, born in Mistelbach (Austria), on 16 March 1976, and Mark Kerekes, born in Lienz (Austria), on 30 May 1976.

The candidates from list number 1) were elected with the favourable vote of 66,498,130 shares whilst candidate from list number 2) was elected with the favourable vote of 11,449,418 shares. With regard to the proposed lists, 10 dissenting votes were cast. Voting share capital in attendance at the shareholders' meeting was 69.29% of the share capital.

On 28 April 2017, upon proposal by the Board of Directors, the Shareholders' Meeting resolved to increase the number of members of the Board of Directors from eight to nine and to appoint a new Director, Cristiano Musi – who previously served as general manager – for a term of office ending concurrently with the term of the other Directors in office, i.e., on the date of approval of the financial statements for the year ending 31 December 2018. After this appointment by the Shareholders' Meeting, on 28 April 2017, the Board of Directors appointed Cristiano Musi as Managing Director of the Company.

As announced by way of press release on 1 August 2017, at the end of July 2017 Claudio Carnevale tendered his resignation from office as Director of Landi Renzo, to pursue other professional opportunities. As of the date he resigned, Claudio Carnevale served as a non-executive member of the Board of Directors and held no office within any of Landi Renzo's internal committees.

Moreover, on 17 October 2017, upon proposal by the Board of Directors, the Shareholders' Meeting decreased the number of members of the Board of Directors from nine to eight, so as to allow the Board of Directors to have the most efficient operating structure, considering also that traditionally the Company's Board of Directors had been composed by eight members (with such number always having been deemed adequate in light of the company's size and business), and that the number was increased for the sole purpose of allowing then-general manager Cristiano Musi, now Managing Director, to join the Board of Directors.

Therefore, as of the date of this Report, the Board of Directors of the Company has eight members.

Directors Sara Fornasiero, Ivano Accorsi and Anton Karl stated that they met the qualifications required for Independent Directors at the time of their appointment, in accordance with Article 148 of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code.

The Board of Directors is obliged, on a yearly basis, to consider whether Directors described as "independent" at the time of their appointment still satisfy the independence criteria laid down in the laws and regulations applicable at the time.

The purpose of the presence of three Independent Directors is to provide further safeguards of good corporate governance by means of discussion and debate among all the Directors. The contribution made by the Independent Directors also allows the Board to verify that cases of potential conflict between the interests of the Company and its majority shareholder are evaluated with an appropriate degree of independent judgment.

The members of the Board of Directors of the less represented gender are one-third of the members of the Board of Directors.

The members of the Board of Directors serving as of the date of this Report are shown in the table below (for additional information, see table 2, attached to this Report).

Full surname	Title	Place and date of birth	Director Type	Audit and Risk Committee	Remuneration Committee
Giovannina Domenichini	Honorary Chairman	Casina (Reggio Emilia), 6 August 1934	Non-Executive		
Cristiano Musi	Managing Director	Parma, 27 April 1974	Executive		
Stefano Landi	Chairman of the Board of Directors	Reggio Emilia, 30 June 1958	Executive		
Silvia Landi	Director	Reggio Emilia, 8 June 1960	Non-Executive		
Angelo Iori	Director	Reggio Emilia, 11 December 1954	Non -Executive	Member	Member
Anton Karl	Director	Mistelbach (Austria), 16 March 1976	Non - Executive and Independent <sup>1</sup>		
Sara Fornasiero	Director	Merate (Lecco), 9 September 1968	Non-Executive and Independent <sup>1</sup>	Chairman	Member
Ivano Accorsi	Director	Correggio (Reggio Emilia), 14 July 1938	Non-Executive and Independent <sup>1</sup>	Member	Chairman

All members of the Board of Directors are domiciled at the Company's registered office by virtue of their office. There is a family relationship between Directors Giovannina Domenichini, Stefano Landi and Silvia Landi, in that Stefano Landi and Silvia Landi are Giovannina Domenichini's children.

Each Director's personal and professional history are briefly set out below in accordance with Article 144-*decies* of the Issuers' Regulations.

**Giovannina Domenichini.** In 1954 Giovannina Domenichini founded Officine Renzo Landi together with her husband. Subsequently, following the Issuer's incorporation, she took on the position of Sole Director and in 1987 became the Chairman of the Board of Directors. On 22 April 2010 she became, and to date still is, non-executive Honorary Chairman. In 1990 she was awarded the honour of *Commendatore dell'ordine al merito della Repubblica Italiana* and, on 19 October 2011, the honour of *Cavaliere del Lavoro*.

**Cristiano Musi.** Was awarded a degree in law by the University of Parma and later earned an MBA from the Business School of the Milan Politecnico University. He started his professional

<sup>1</sup> Independent as per Article 148 of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code.



career in marketing, working in several companies, and then joining an international investment bank after his MBA. From 2005 to 2011, Mr. Musi worked for international and national banks, progressing in his profession, which focused mainly on business finance and structured finance. In 2012 he was appointed general manager of Dulevo International S.p.A. and Lampogas S.p.A., where he was responsible for coordinating the first phase of the reorganisation until the change of control caused by the purchase by a leading international private equity fund. Following this change of control, Mr. Musi became a member of the board of directors of Lampogas' holding company and general manager of the group, serving as Chairman, Managing Director, and Director of several of the group subsidiaries. In December 2016, he was elected as general manager (*direttore generale*) of Landi Renzo and remained in charge until April 2017, when he was appointed Managing Director. At present, he is also Director of Dulevo International S.p.A., Sole Director of Lovato Gas S.p.A. and Managing Director of Safe S.p.A. and of Safe&Cec S.r.l.

**Stefano Landi.** Member of the Issuer, he has been Managing Director from 1987 to 2010. From 24 April 2013 until 28 April 2017 he held the office both of Managing Director and of Chairman, in addition to positions in other companies of the Landi Renzo group and since April 2017 he has served as Chairman of the Board of Directors. In 2006 the specialised press included Landi among the top ten managers in the automotive sector and in December 2010 he received the award of "Entrepreneur of the Year" E&Y. Since July 2010 he holds the office of President of the Industrial Association of the Province of Reggio Emilia, which expired in 2013 and in the month of January 2014 he was appointed Chairman of the Provincial Chamber of Commerce. He also holds the office of director in Safe S.p.A. and Safe&Cec S.r.l.

**Angelo Iori.** After completing his studies in accounting in 1974, he began his professional career with the Issuer in the administrative and commercial area in the automotive and car LPG and CNG systems industry. In 1979 it continued his activity at Autosonik S.p.A. and in 1985 he re-joined the Company as sales and marketing manager until 2003. In 2004 he was appointed CEO of MED S.p.A., a company of Landi Renzo Group incorporated in 2010. From 2010 to 2013 he dealt with activities in the field of operations for both the Issuer and Lovato Gas S.p.A., also holding the position of director of operations of Landi Renzo Group. From 2014 to 2016 he was Sales and Marketing Aftermarket Director at the Issuer and at Lovato Gas S.p.A., A.E.B. S.p.A. and Emmegas S.r.l.

**Sara Fornasiero.** Graduated in Economics at *Università Cattolica del Sacro Cuore* in Milan, she began her work experience in KPMG S.p.A. in 1993 as statutory auditor; from 1995 to 1998 in the due diligence field; from 1998 to 2001 in the Forensic Accounting department; from 2001 in the Corporate Responsibility/Sustainability department; and from 2004 in the Risk & Compliance department. From 2006 to 2015 she joined KPMG Quality & Risk Management function as Senior Manager. Self-employed since 2016, she is involved in projects in the field of corporate governance, risk management, anti-bribery and corruption, and sustainability projects for listed and unlisted companies. Since 1995 she has been enrolled in the Register of Auditors and since 1996 she has been enrolled in the National Register of Certified Chartered Accountants and Auditors in Milan. At present, she holds the office of Statutory Auditor of Leonardo S.p.A., Chairman of the Board of Statutory Auditors of Arnoldo Mondadori Editore S.p.A., member of the Supervisory Board of Abbot Medical Italia S.p.A., BT Enia Telecomunicazioni S.p.A., Philips S.p.A. and Philips Innovations S.p.A. (already Philips SAECO S.p.A.), and member of the Italian Association of Internal Auditors and of the "Governance of Listed Companies" and "Compliance and Organisational Models" committees

of the Board of Certified Chartered Accountants and Auditors of Milan. In the past, she had been a member of the "Equal Opportunities" and "Corporate Financial Statements" committees.

**Ivano Accorsi.** He earned his diploma as accountant and commercial expert in 1957 and he has been registered in the Register of Financial Advisors since 1999. From 1957 to 1969 he held increasingly important administrative roles - including as deputy director of finance - in Cemental S.r.l., and from 1969 to 2004 he held several positions at BPER, including as executive manager from 1994. From 1990 to 2011 (with short intervals) he became a member of Sofiser S.r.l. Board of Directors, including as deputy chair. From 1996 to 2005 he held the position of vice-president of the Board of directors of Leasinvest S.p.A. From 1999 to 2005 he held the position of Unicarni S.c.a.r.l. Board member. From March 2004 to March 2016 he held the position of director in the Board of Directors of Emak S.p.A., as well as of Chairman of the Control and Risk Committee, the Remuneration Committee and the Independent Directors Committee. From 2004 to 16 December 2016 he acted as Treasurer of the Committee for the Restoration of the Reggio Emilia Cathedral. Since July 2018 he has been appointed non-executive independent director of Vimi Fasteners S.p.A., a company listed on the multilateral negotiation system AIM Italia/Mercato Alternativo del Capitale.

**Silvia Landi.** She was employed at the Issuer in 1978 and since 1987 she has held the position of public relations officer. Since 2002, she has held the position of Girefin S.p.A. Board member.

**Anton Karl.** He graduated in Law at the University of Salzburg (Austria) and continued his studies at Rice University in Houston, where he earned a Business Administration Master degree. From 2002 to 2008 he held the position of Associate and then of Vice President at Lehman Brothers International, moving from New York to London and later to Frankfurt and Zurich. From 2008 to 2012 he held the position of executive director at Nomura Bank (Switzerland) in Zurich. Since 2013 he has been a member of Aerius Holding AG Board of Directors and since 2014 has been a member of Elbogross SA Boards of Directors in Zurich. He is also a Director of Sentis Capital PCC and Mira SA.

From the closing date of the Period there have been no changes in the membership of the Company's Board of Directors.

To be noted that, as to diversity policies pursuant to Article 123-*bis*, paragraph 2(d-*bis*) of the Consolidated Finance Act, on 14 March 2019 – also considering that the term of office of the members of the Board of Directors is set to expiry upon approval of the financial statements for the year ended on 31 December 2018 – the Board of Directors of the Company has approved a diversity policy applicable to the Board of Directors, which includes the following principles:

- gender diversity within the Board of Directors must be consistent with the applicable regulations and therefore must ensure that at least one third of the members are members of the less represented gender;
- each member must meet the requirements of good character under Decree of the Ministry of Justice no. 162 of 30 March 2000, and Article 148(4) of the Consolidated Finance Act, as incorporated by reference in Article 147-*quinquies* of the Consolidated Finance Act;
- at least one of the members of the Board of Directors, or at least two if the Board of Directors has more than seven members (or any such other minimum number provided for by applicable law), must meet the independence requirements under Article 148(3) of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code;

- executive directors cannot serve in office as (a) an executive director of another listed company, whether Italian or foreign, bank or financial company, or (b) non-executive director or statutory auditor (or member of another supervisory body) in more than three of the foregoing companies;
- in addition to the office held in the Company, a non-executive director cannot hold office: (a) as executive director of another listed company, whether Italian or foreign, bank or financial company and non-executive director or statutory auditor (or member of another supervisory body) in more than three of the foregoing companies, or (b) as non-executive director or statutory auditor in more than six of the foregoing companies;
- each member must not have any of the reasons for ineligibility, incompatibility or expiry, under Article 14 of the Company by-laws and the applicable provisions of law, including Article 17(5) of Legislative Decree no. 39 of 27 January 2010 on legal audit; and
- to ensure a plurality of approaches and views, as well as an adequate degree of efficiency when analysing the items and subject matters on the agenda, the members should have an adequate degree of diversity and heterogeneity in terms of age, skills and experience; professionals who are sufficiently familiar with the peculiar issues affecting listed companies and international groups as well as of professionals who have a strong connection to the industrial sector in which the Company operates should be favoured to the extent possible.

Moreover, in the context of the re-appointment of the members of the corporate bodies, on 14 March 2019, the outgoing Board of Directors issued guidance as the types of professional that would be suitable as members of the Board of Directors consistently with the recommendations under application criterion 1.C.1(h), of the Self-Regulatory Code.

The Company believes that fostering gender parity and offering equal opportunities is one of the key components of the corporate structure and, to such end, it will evaluate whether in 2019 it should adopt specific measures aiming to further coordinate such components.

The table below shows the managerial and auditing positions held in listed and unlisted companies by member of the Company's Board of Directors as of 31 December 2018.

Full name	Company in which an external position is held	Title
<b>Giovannina Domenichini</b>	Girefin S.p.A.	Chairman of the Board of Directors
	Immobiliare L.D. Parma S.r.l.	Sole Director
<b>Stefano Landi</b>	Girefin S.p.A.	Managing Director
	Gireimm S.r.l.	Sole Director
	Safe S.p.A.	Director
	Safe&Cec S.r.l.	Director
	Società Agricola BIOGUSS S.r.l.	Chairman of the Board of Directors
	Società Agricola C.E.D.R.O – Centro Energie da Rinnovabili S.r.l.	Chairman of the Board of Directors
	Pallacanestro Reggiana S.r.l.	Director
	Vivaticket S.p.A.	Director
	Fondazione Museo Antonio Ligabue	Director
	Landi International BV	Sole Director
IMW Industries Ltd	Director	
<b>Cristiano Musi</b>	Lovato Gas S.p.A.	Sole Director
	Safe S.p.A.	Managing Director
	Safe&Cec S.r.l.	Managing Director
	Duelvo International S.p.A.	Director
	Gruppo Ceramiche Ricchetti S.p.A.	Director
	Landi Renzo Polska	Director
	Landi Renzo PAK	Director
	Landi Renzo Beijing	Director
	IMW Industries Ltd	Managing Director

<b>Silvia Landi</b>	Girefin S.p.A.	Director
<b>Anton Karl</b>	Elbogross SA	Director
	Sentis Capital PCC	Director
	Aerius Holding AG, Zug	Director
	Mira SA	Director
<b>Sara Fornasiero</b>	Leonardo S.p.A.	Statutory Auditor
	Arnoldo Mondadori Editore S.p.A.	Chairman of the Board of Statutory Auditors
	Safe S.p.A.	Member of the Supervisory Board
	Abbott Medical Italia S.p.A.	Member of the Supervisory Board
	BT Enia Telecomunicazioni S.p.A.	Member of the Supervisory Board
	Philips S.p.A.	Member of the Supervisory Board
<b>Ivano Accorsi</b>	Philips Innovations S.p.A.	Member of the Supervisory Board
	Vimi Fasteners S.p.A.	Director

It should be noted that, having regard to article 1.C.3 of the Self-Regulatory Code, which provides that that Board of Directors issues guidance regarding the maximum number of positions as director and auditor in listed companies, finance, banking and insurance houses or large-size companies, the Board of Directors, in the meeting of 13 November 2014 adopted the following general criteria also confirmed in the meetings held on 12 November 2015, 10 November 2016, 14 November 2017 and most recently on 13 November 2018:

1. an executive director shall not hold (a) the office of executive director in another Italian or foreign listed company, banking or finance house; or (b) the office of non-executive director or auditor (or member of other control bodies) in more than three of the aforesaid companies; and
2. a non-executive director should not hold, in addition to the office held in the Company: (a) the office of executive director in more than one of the aforesaid companies and the office of non-executive director or auditor (or member of other control bodies) in more than three of the aforesaid companies; or (b) the office of non-executive director or auditor in more than six of the aforesaid companies.

It should be also noted that the limitation on the number of offices does not apply to offices held in companies of the Landi Renzo group.

Should the aforesaid limit be exceeded, the directors shall inform the Board of Directors forthwith, which shall assess the situation in light of the interests of the Company and shall invite the Director to take any decision stemming therefrom.

In order to maintain adequate knowledge of the business segment in which the company is active, the directors receive, information and updates, periodically or at any time as necessary, on the business segment in which the Issuer operates, on the principles for proper risk management, and reference regulations, including through documents prepared by the Company or on the initiative of internal departments or functions. In particular, on 14 November 2017, during a meeting of the Board of Directors, attended by members of the Board of Directors and the Statutory Auditors, a session was held where Attorneys Alberta Figari and Francesca Casini, advisors to the Company, described the newly applicable legislation implementing Regulation (EU) No. 596/2014 of the European Parliament and the Council on market abuse (i.e. MAR) and the consequent changes made to the Consolidated Finance Act and other national laws and regulations. During the Period, although no specific induction training sessions have been held, updates and clarifications were provided during the Board of Directors' meetings on the business sector in which the Issuer operates and on the applicable regulations, where considered worthy of further elaboration by the Board of Directors.

#### **4.3 ROLE OF THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2, LETTER D) OF THE CONSOLIDATED FINANCE ACT)**

The Board of Directors is the corporate body responsible for the governance of the Company and has the powers assigned to it by law and by the articles of association. It is organised and operates in such a way as to ensure the effective and efficient performance of its functions. Its Directors act and adopt resolutions knowledgeably and autonomously, pursuing the objective of creating value for the Company's Shareholders and reporting management performance at Shareholders' Meetings.

In accordance with article 18 of the Company articles of association, the Board of Directors is vested with the widest powers for the day-to-day and extraordinary management of the Company and has the power to carry out all the acts it considers expedient or helpful for the achievement of its corporate purpose, only excluding those for which the Shareholders' Meeting is solely responsible by law or under the articles of association.

The Board of Directors is also vested with responsibility for the following:

- (i) merger resolutions in the cases contemplated in Articles 2505 and 2505-*bis* of the Civil Code, including those mentioned for demergers in Article 2506-*ter* of the Civil Code;
- (ii) opening and closing secondary offices;
- (iii) reducing the share capital in the event of the withdrawal of a shareholder;
- (iv) adapting the articles of association in accordance with new provisions of law;
- (v) identifying the Directors with the power to represent the Company;
- (vi) moving the registered office within the country; and
- (vii) appointing and discharging the executive in charge of preparing corporate accounting documents.

The Board of Directors must ensure that the executive in charge of preparing corporate accounting documents has sufficient powers and resources to perform the duties assigned to him by law and that administrative and accounting procedures are observed in actual practice.

In urgent circumstances relating to transactions with related parties that are not under the responsibility, or subject to the authorisation, of the shareholders' meeting, the Board of Directors will have the right to approve these transactions even where they are implemented through subsidiaries, departing from the customary provisions of the internal guidelines for related-party transactions adopted by the Company, subject to compliance with and at the conditions set out in the guidelines.

For the matters specified in article 1.C.1 of the Self-Regulatory Code no powers have been granted to the Managing Director and they must therefore be considered to be the sole responsibility of the Board of Directors. For example, it must be deemed that the Board is responsible for considering and approving:

- (a) the Issuer's strategic, business and financial plans, as well for periodically monitoring their implementation;
- (b) the strategic, business and financial plans of the Group that the Issuer leads as well for periodically monitoring their implementation;
- (c) the Issuer's system of corporate governance;
- (d) the structure of the Group.

In carrying out their duties, Directors examine the information they receive from the delegated bodies, also asking these bodies for clarification, further details or additional data that they consider necessary or appropriate. To this end, at least quarterly, the Managing Director provides the Board of Directors with adequate information regarding general management performance and its foreseeable prospects and on the most significant transactions carried out by the Company or its subsidiaries.

Although the Articles of association do not stipulate a minimum frequency of meetings, it is now the practice for the Board of Directors to meet at least once a quarter on the occasion of the approval of the interim financial statements. Board Meetings are scheduled on the basis of a calendar approved at the beginning of the year in order to help to ensure that as many members as possible attend. The corporate calendar may be consulted on the Company's website, in the *Investors* section.

During the Period, the Board of Directors held seven meetings, each lasting approximately 81 minutes on average, generally attended by all directors; indeed, the overall attendance was equal to 86%. The attendance percentage regarding each Director is specified in the table reported at the end of the Report. The members of the Board of Statutory Auditors took part in all meetings of the Board of Directors, with the exception of five meetings where Eleonora Briolini was excused absent, two meetings where Diana Rizzo was excused absent and one meeting where Domenico Sardano was excused absent.

At least five meetings are scheduled for the current financial period, of which one was held on 14 March 2019.

The meetings of the Board of Directors can be attended also by non-members of the Board of Directors, upon invitation. Specifically, they are regularly attended by executives of the Issuer and the Landi Renzo group, whose attendance provides a contribution to the necessary in-depth review of the items on the agenda. All the meetings held during the financial period were attended by executives of the Issuer.

Directors and Auditors receive the papers and information necessary to enable them to express themselves knowledgeably on the subjects submitted for their examination and approval, with a suitable amount of time in advance of the meeting. The work of the Board of Directors is organised by the Chairman, who ensures that each item on the agenda is given the time necessary for a constructive debate.

The Company generally deems sufficient that the documentation be sent three days in advance and this term was complied with during the Period.

In order to implement article 1 and the relative criteria for the application of the Self-Regulatory Code, the Board of Directors, in its meeting held on 13 November 2018, completed a successful review of the size, composition and workings of the Board of Directors, of the Audit and Risk Committee and of the Remuneration Committee, including in relation to the independent directors. To this end, starting from 2018, the Board of Directors of the Issuer asked all the Directors in office to complete a questionnaire to evaluate the functioning and efficiency of the Board of Directors and of the Committees, as well as their size and composition.

Moreover, on the same date, the Board of Directors, also on the basis of reports from the executive manager in charge of supervising the internal audit and risk management system and from the Chairman of the Audit and Risk Committee, reviewed the adequacy of the general organisational, administrative and accounting structure of the Issuer and that of its strategically relevant subsidiaries, in relation to the internal audit system and the management of conflicts of interest and has approved the Company's overall system of governance. In addition to the delegation of powers and functions, including provision for the formation of committees within the Board of Directors, of which further mention will be made below, this system also includes rules of procedure governing transactions with related parties and transactions in which a Director has an interest. The Issuer's Board of Directors has also identified the subsidiaries that are strategically relevant based on criteria which take into account the revenues, independence of production, research, development and innovation of products, as well as the range of products, the positioning of the product and of the brand. In light of the above-mentioned criteria, the Board of Directors identified Lovato Gas S.p.A. and Landi Renzo Polska Sp.Zo.o as strategically relevant companies.

The Board of Directors evaluated the general performance of operations, with regard in particular to the information received from the Company's delegated bodies and periodically comparing the results achieved with those forecasted.

The Board of Directors examined and approved in advance the transactions of significant strategic, economic and financial importance for the Issuer carried out by the Issuer and its subsidiaries.

Section 11 below includes information regarding the procedure followed by the Board in carrying out intra-group transactions and transactions with other related parties.

The Board of Directors adopted qualitative and quantitative criteria to identify own and its subsidiaries' significant transactions. Qualitative criteria refer to transactions concerning the acquisition or disposal of holdings, the setting up of new companies and/or joint ventures, of business units, assets and contributions in kind, corporate investments and/or divestiture, the raising of loans, the entry into and/or exit from geographical markets and/or strategic types of business. Quantitative criteria refer to transactions other than those described above, whose value exceeds the quantitative limit of the powers conferred to the Managing Director.

The Board of Directors adopts resolutions on the significant transactions identified as above, both of a qualitative and quantitative nature, based on the information and reports provided from time to time by the Managing Director.

In light of the structure of the Landi Renzo Group, the Company's shareholding structure and composition of the lists of candidates proposed by Shareholders under the articles of

association, the Board of Directors did not provide specific guidance on membership of executives and professionals regarded as appropriate.

Article 14 of the articles of association of the Company states that the Directors are subject to the non-competition rule laid down in Article 2390 of the Civil Code unless they are exonerated from this rule by the Shareholders' Meeting. As of the date of this Report, the Shareholders' Meeting has not given permission for any exceptions to the non-competition rule.

#### **4.4 DELEGATED BODIES**

##### **Managing Directors**

The Board of Directors' Meeting of 28 April 2017 vested the Managing Director, Cristiano Musi, with the powers necessary for the day-to-day management of the Company.

The following are Cristiano Musi's principal duties, together with the ceilings for the amounts and issues in respect of the powers bestowed:

- a) the preparation of suitable proposals relating to strategy, budgets, business plan and organisational structure to be submitted to the Board of Directors, after review by the Chairman;
- b) the supervision, subject to his full decisional power and responsibility, directly and/or indirectly through chosen collaborators, without prejudice to the personal responsibility of the latter, of the Company's productive sector, in all its direct and indirect aspects, and marketing and financial sectors;
- c) purchases, sales, permutations and all other transactions involving the acquisition or sale of machinery, plant, equipment, vehicles, company products and movable property in general, including those recorded in public registers, for a sum of up to Euro 5,000,000 per transaction, agreeing upon the conditions, prices and terms of payment;
- d) the acquisition of services, stocks, basic components and raw materials, semi-finished goods and materials required by the Company for its production;
- e) the handling of all bureaucracy and procedures concerning the importation of basic components and raw materials,
- f) the handling of the implementation and completion of all related measures, including those related to manufacturing and consumer taxes, inland revenue and state monopoly duties;
- g) the stipulation, amendment and termination of leasehold agreements with terms of less than 9 years, of leasing agreements including those for real estate, of rental and gratuitous loan agreements for moveable properties and real estate, for a sum of no more than Euro 5,000,000 per agreement with powers to sign the same agreements with the terms and conditions that will be established; the payment and collection of the agreed prices, and the receipting and completion of any other related procedures;
- h) the stipulation, amendment and termination of agency, distribution, representation, brokerage and business procurement agreements, including those subject to sole agency, for the best possible placing of the Company's products;



- i) the stipulation, amendment and termination of contracts for industrial and commercial services, works, hire, supply, transport, storage and shipping, for a sum of no more than Euro 5,000,000 per transaction;
- j) the stipulation, amendment and termination of (i) contracts for professional and consultancy service with a value of up to Euro 1,000,000, after review with the Chairman; and (ii) mandates for professional services for the litigation and arbitration matters described below at (cc) and (dd), for maximum fees of Euro 50,000 per each proceeding;
- k) purchases and sales, and foreign currency transactions in general, within the framework of the currency regulations in force at the time;
- l) the purchase, subscription for, transfer or swapping of shares, quotas, bonds or other financial instruments and holdings in other companies up to Euro 5,000,000 per transaction, jointly with the Chairman;
- m) the purchase, subscription for, transfer or swapping of shares, quotas, bonds or other financial instruments of other companies exclusively as part of the ordinary management of the Company's financial liquidity;
- n) the registration of trademarks and patents, the utilisation of industrial property rights, and all those measures required by the patenting procedure, such as the submission of applications for corrections, amendments, extensions of confidentiality and divisions; the submission, and the defending against, administrative actions, interferences and administrative appeals; and in general, any actions required in order to apply for, obtain and preserve patents; the signature of any documents required in order to exercise the abovementioned powers granted; the appointment, for such purpose, of patent representatives in Italy and abroad, bestowing upon said persons the respective powers;
- o) the purchase and sale of the title of ownership and/or licences and/or granting the right to use pertaining to patents, trademarks, models and any intellectual property rights related to the corporate purpose, jointly with the Chairman of the Board of Directors;
- p) the performance of any actions and operations, vis-à-vis public administrations, public authorities and offices, required in order to obtain concessions, licences, permits and authorisations of any kind in general;
- q) any receipt and collection in any form, also by means of endorsement, of amounts, claims, payment orders, security deposits both from the issuing institution, public savings and loan bank, treasuries, the railway, post and telegraph offices, and any Italian or foreign public or private body, issuing valid receipts and releases;
- r) the performance of all banking transactions – including the taking out of new credit lines and short, medium and long-term loans, obtaining credit in a current account, credit requests in general, even in the form of debenture loans, the constitution of deposits of securities for custody or administration – for an amount no greater than Euro 10,000,000 per single transaction. The Managing Director may carry out transactions on the credit lines within the above limits per transaction and may also terminate relations;
- s) the endorsement, also for discounting and collection, receipt of payment and issuance of receipts in respect of bills of exchange, cheques and money orders, including payment

orders of the state treasury, regions, provinces, municipalities and any other public entity or any public fund; issuance of cheques on bank accounts, including liability accounts, of the Company within the credit limits granted by the bank to the Company;

- t) the payment or receipt of sums, receivables, interest, dividends, cheques and payment orders from whoever issues them in favour of the Company, including the sales and advance receipts, also in continuation, of receivables to financial institutions;
- u) the receipt from post and telegraph, customs, railway, shipping and transport companies and, generally, from any public office, any company or premise, of money orders, parcels, letters, including registered and insured letters with declarations of value, goods, money, etc., issuing receipts and releases;
- v) the stipulation and termination of insurance contracts of any kind, execution of relevant policies with powers to settle and request, in the case of a claim, the relevant indemnity, the issue of receipts to payors, settlement and payment of any other indemnities due to third parties in respect of any claim;
- w) the hiring and firing of executives (excluding the general manager (*direttore generale*)), middle managers and office staff, and the establishment of their duties and remuneration in accordance with the legal and regulatory provisions in force at the time;
- x) the signing of correspondence and any other document requiring the Company's signature and with regard to any business coming within the delegated powers;
- y) the management of (i) institutional and other communication; and (ii) institutional investor relations, in each case for the Company as well as for the Group;
- z) the representation of the Company vis-à-vis Health and Social Insurance Bodies, and the fulfilment of those obligations arising from the labour law provisions in force at the time, in particular as far as regards insurance, benefit and other contributions;
- aa) the representation of the Company vis-à-vis trade union and business organisations, and before employment offices and arbitration boards, with the power to reach settlements;
- bb) the representation of the Company in legal proceedings (either as plaintiff or defendant), at any level or stage of judgement (for or against), before any Court in Italy or abroad, including the Supreme Court of Cassation, the Court of Auditors, the Council of State, the Constitutional Court, the Court of Appeal, the Courts, the Office of the Justice of the Peace, and for any civil, criminal and/or administrative proceedings;
- cc) the representation of the Company before all levels of tax court, and any Jurisdictional Tax Authority, together with the appointment of duly qualified lawyers, accountants, attorneys as required by law, subject to the limitations set out in (j) above;
- dd) the submission of protests and the application for injunctions; bringing preventive and enforcement proceedings; participation in bankruptcy and insolvency proceedings, lodging claims and declaring the truthfulness thereof; proposing and accepting real offers; bringing administrative and judicial proceedings before any level and kind of court, including the Court of Cassation and Appeal; submissions to arbitration and the reaching of friendly settlements; the appointment of lawyers, arbitrators, barristers and experts, the revocation

of their powers, and their replacement, subject to the limitations set out in (j) above; replying to questioning, deferring, referring and responding to oaths; the submission and signing of any claims, briefs or documents; agreeing, settling and mediating legal dispute; discontinuing legal proceedings and accepting discontinuance thereof; the performance of anything else required – all powers deemed duly conferred for such purpose – in order to fully represent the Company before the court;

- ee) the signing of declarations in respect of direct and indirect taxes, and taxes generally, forms and questionnaires, the acceptance and rejection of assessments, conclusion of agreements and settlements, the challenge of actions, presentation of applications, appeals, complaints, briefs and documents before any tax office or commission, of any kind or level;
- ff) the execution of any necessary formalities before the Companies' Register and any other competent office;
- gg) the making of decisions regarding the exercise of voting rights in meetings of the shareholders of subsidiaries and/or part-owned companies;
- hh) the delegation, by granting specific powers of attorney, of any and all of the above-attributed powers to the person(s) deemed most appropriate based on professional skill and capability;
- ii) the management, guidance, organisation and the control of all aspects pertaining to workplace health and safety, in all of the productive units and in other places of work of the Company, and for this purpose, is considered an "Employer" within the meaning of Legislative Decree 81/2008 as subsequently amended and supplemented, with powers to execute, in this capacity, any document, carry out any formalities or any action necessary to comply with the above-mentioned legislative decree and all of the regulations and provisions regarding workplace health and hygiene and safety, the prevention, protection and safeguard with respect to workers' psychological and physical well-being, and the protection of the environment, with full financial independence and independent spending authority in executing these powers. More specifically, by way of example, but not limited thereto, the Managing Director has the following powers:
  - the implementation, also through the competent internal and external advisory bodies, of any additional, amending, supplementing laws and regulations adopted, or which may be adopted, regarding the safety of workers, prevention of accidents and protection of hygiene in the workplace, and performance of any obligations envisaged under the above-mentioned laws and regulations;
  - the assessment of risks, drafting of the relevant risk assessment document (DVR), and appointment of risk prevention and protection department (RSPP) manager;
  - the delegation, by granting specific powers of attorney, of the functions and powers attributed under this power of attorney, which may be delegated under Legislative Decree 81/2008, to the person(s) deemed most appropriate based on professional skill and capacity to ensure the prompt and constant performance, using the utmost diligence, of the workplace health and safety obligations envisaged, granting them spending authority and the management,

- organisation and control powers required by the nature of the duties, and authorising, as appropriate, the sub-delegation of specific duties by them to other persons;
- the revocation of the powers of attorney described at the above di paragraph;
  - to ensure financial coverage for all activities which exceed the managerial and financial independence of the delegates pursuant to the above sub-paragraphs and which are deemed necessary and appropriate to comply with laws and regulations, and oversee the delegates in terms of their capabilities and correct performance of the duties assigned to them, also by adopting and effectively implementing the verification and control model under article 30 of Legislative Decree 81/2008 and Legislative Decree 231/2001;
  - the representation of the Company before Public Administrations, public and private offices and entities to carry out any actions and operations necessary to obtain permits, licences, and other authorisations generally related to the performance of the Company's business, and in particular, related to the health and safety of workers;
- jj) in performing the functions in subparagraph (ii) above, the decision and implementation of organisational choices and expenses with full powers and discretion, including of a financial nature and with independent spending authority, with the Managing Director or his delegates or any sub-delegates assuming, each within the limits of his/her functions and powers, any criminal liability arising from any breach of the applicable obligations with regard to the health and safety of workers, the protection and safeguard of the environment, and the protection of personal data, and conferred with the relative resolution;
- kk) the power, in exercising the functions in subparagraph (ii) above, to revoke powers of attorney, proxies, and generally any other appointment granted by the Company within its organisational structure, pertaining to functions and powers in relation to worker health and safety, environmental safeguard and protection, and protection of personal information;
- ll) the power to commit the company – in relation to the parties that may be delegated by him and any sub-delegates, to the maximum extent permitted under the law -- to indemnify each of them regarding any cost or expense that they may incur as a consequence of taking on the responsibilities regarding the health and safety of the workers, the safeguarding of the environment and of personal data, except for cases of fraud (*dolo*) and/or gross negligence (*colpa grave*);
- mm) the office of director charged with the system of internal audit and risk management.

By virtue of the powers vested upon him by the Board of Directors, the Managing Director, Cristiano Musi, qualifies as the person mainly responsible for corporate governance. It should also be noted that no interlocking situation occurs with regard to Cristiano Musi.

The legal representation of the Company, before any authority with respect to, and to independently sign, any document or declaration pursuant to article 21 of the Company articles of association, without restriction other than pursuant to the articles of association or law, pertains to the Managing Director Cristiano Musi.

## Chairman of the Board of Directors

The Chairman of the Board of Directors Mr Stefano Landi, who holds the position of trustee of the Landi Trust, which indirectly exercises control over the Issuer, is vested with the legal representation, severally, of the company.

The following are the management powers granted on 28 April 2017 by the Board of Directors to Stefano Landi, in his capacity as Chairman of the Board of Directors, together with the ceilings for the amounts and issues in respect of the powers bestowed:

- a) the calling of the meetings of the Board of Directors and procuring that, reasonably in advance of the meeting (except in cases of urgency), the members of the Board of Directors are provided with the documents and the information necessary to allow the Board of Directors to knowledgeably discuss the issues submitted to the Board of Directors for review and approval;
- b) the coordination of the activities of the Board of Directors and the leadership at its meetings;
- c) the receipt of the proposals prepared by the Managing Director and the authority to express to the Board of Directors his opinion in terms of the Company's and the Group's objectives, strategies, policies and macro-organisational choices;
- d) the coordination of the Company's and the Group's growth strategy, both organically and externally, on the basis of the proposals submitted by the Managing Director;
- e) the monitoring the implementation of the resolutions approved by the Board of Directors;
- f) the coordination of the institutional communication activities for the Company and for the Group;
- g) the stipulation, amendment and termination of leasehold agreements with terms of less than 9 years, of leasing agreements including those for real estate, of rental and gratuitous loan agreements for moveable properties and real estate, each for a sum of no more than Euro 5,000,000 per agreement with powers to sign the same agreements with the terms and conditions that will be established;
- h) the purchase, subscription for, transfer or swapping of shares, quotas, bonds or other financial instruments and holdings in other companies up to Euro 5,000,000 per transaction, jointly with the Managing Director;
- i) the purchase and sale of the title of ownership and/or licences and/or granting the right to use pertaining to patents, trademarks, models and any intellectual property rights related to the corporate purpose, jointly with the Managing Director;
- j) the performance of all banking transactions – including the taking out of new credit lines and short, medium and long-term loans, obtaining credit in a current account, credit requests in general, even in the form of debenture loans, the constitution of deposits of securities for custody or administration – for an amount no greater than Euro 10,000,000 per single transaction. The Chairman of the Board of Directors may carry out transactions on the credit lines within the above limits per transaction and may also terminate relations;

- k) the issue of sureties, guarantees and patronage letters to subsidiaries, for sums of up to Euro 10,000,000 per transaction;
- l) the signing of correspondence and any other document requiring the Company's signature and with regard to any business coming within the delegated powers;
- m) the delegation, by granting specific powers of attorney, of any and all of the above-attributed powers to the person(s) he deems most appropriate based on professional skill and capability;
- n) the power to commit the company, regarding the parties that may be delegated by him and any sub-delegates, to the maximum extent permitted under the law, to indemnify each of them regarding any cost or expense that they may incur as a consequence of taking on the responsibilities regarding the health and safety of the workers, the safeguarding of the environment and of personal data, except for cases of fraud (*dolo*) and/or gross negligence (*colpa grave*).

### **Reporting to the Board of Directors**

At least every quarter, the Managing Director provides the Board of Directors with adequate information regarding general management performance and its foreseeable prospects, as well as regarding the transactions carried out by the Company and its subsidiaries that are of the greatest importance by size and characteristics.

The Directors report to the Board of Auditors in good time, and in any event at least every quarter, at Board of Directors' Meetings or meetings of the Executive Committee, if one has been appointed, or also in the form of a written memorandum to the Chairman of the Board of Auditors, on the activities performed and the transactions carried out by the Company and its subsidiaries that are of the greatest economic and financial importance and of the greatest significance for the Company's assets, in order to enable the Landi Renzo Board of Auditors to assess whether the transactions that have been resolved and implemented comply with the law and the articles of association or are not, on the other hand, clearly imprudent and in conflict with the resolutions passed by the Shareholders' Meeting, or are such as to impair the integrity of the Company's assets.

In particular, Directors report on transactions in which they have an interest, either on their own account or on behalf of third parties, and on any atypical or unusual transactions or any transactions with related parties.

### **4.5 OTHER EXECUTIVE DIRECTORS**

Other than Managing Director Cristiano Musi and the Chairman of the Board of Directors Stefano Landi, no members of the Board of Directors are executive directors.

### **4.6 INDEPENDENT DIRECTORS**

The Self-Regulatory Code recommends the election to the Board of Directors of a suitable number of independent directors. On the basis of the guidelines set out in the Self-Regulatory Code, a director shall not be considered independent if he/she:

- a) controls the issuer, either directly or indirectly through subsidiaries, trust companies or intermediaries, or is capable of exercising considerable influence over the Issuer, or is party to any shareholders' agreement whereby one or more subjects may exercise control or a considerable influence over the Issuer;
- b) is, or was during the previous three financial years, an important member of the Issuer, or of a strategically-important subsidiary of the latter, or of a company subject to joint control together with the Issuer, or of a company or body that, also together with others through a shareholders' agreement, controls the issuer or is capable of exercising considerable influence over it;
- c) directly or indirectly (for example, through subsidiaries or through companies in which he/she is an important member, or as partner of a professional firm or consultancy firm) has, or had during the previous year, important commercial, financial or professional relations:
  - with the Issuer, a subsidiary thereof, or any of the important figures within the said companies;
  - with a person that, also together with others pursuant to a shareholders' agreement, controls the Issuer, or – in the case of a company or entity – with the relevant top managers;

or is, or was during the previous three years, an employee of one of the aforesaid subjects;
- d) receives, or during the previous three financial years received, from the Issuer or from a subsidiary or parent company, a significant additional payment on top of the "set" remuneration as non-executive director of the Issuer and the fee for participating in the committees recommended by the Self-Regulatory Code, including participation in incentive plans linked to the company performance, including share plans;
- e) was a director of the Issuer for more than nine of the last twelve years;
- f) holds the position of executive director on the board of another company in which the issuer's managing director also holds the position of director;
- g) is a shareholder or director of a company or an entity belonging to the network of the company appointed to perform legal audit of the Issuer;
- h) is a close relative of a person in one of the situations described in the previous points.

The current Board of Directors includes three directors, Sara Fornasiero, Ivano Accorsi, and Anton Karl, who meet the independence requirements provided for by Stock Market Regulations and the Self-Regulatory code. Said directors meet the requirements set out in article 148, paragraph 3, of the Consolidated Finance Act. The number of independent directors, given the total number of members of the Board of Directors, is in line with both the provisions of article 148 of the Consolidated Finance Act and the Instructions to the Stock Market Regulations (article I.A.2.10.6).

The Board of Directors and the Board of Statutory Auditors verified the possession by Sara Fornasiero and Ivano Accorsi of the requirements of independence, on the first available occasion after their appointment, on the basis of the declarations these directors themselves made to this end pursuant to article 148 of the Consolidated Finance Act and to article 2.2.3.,

subsection three, letter l) of the Stock Market Regulations, applying *inter alia* the criteria set out in the Self-Regulatory Code.

In particular, at the meeting of 29 April 2016, the Board of Directors had carried out the due checks on compliance of non-executive directors Sara Fornasiero and Ivano Accorsi with the aforesaid criteria of independence, based on the information provided by them. During the meeting, the Board of Statutory Auditors confirmed it had performed all necessary checks as to the proper application by the Board of Directors of the criteria and the procedures adopted to assess the independence of its members.

During the Period, on 15 March 2018, the Board of Directors also assessed whether each of the non-executive directors, Sara Fornasiero, Ivano Accorsi, and Anton Karl, met the independence valuation requirements following, *inter alia*, the criteria provided for in the Self-Regulatory Code. During the meeting, the Board of Statutory Auditors confirmed that it had performed all necessary checks as to the proper application by the Board of Directors of the criteria and the procedures adopted to assess the independence of its members.

During the Period, the independent Directors met one time without the other Directors of the Company.

The independent Directors had provided evidence of their eligibility as independent directors in the lists for the appointment of the Board of Directors and, as far as the Issuer is aware, they committed themselves to preserving their independence during the term of their office.

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

On 29 April 2016, the Board of Directors meeting appointed independent director Ms Sara Fornasiero as lead independent director in accordance with article 2 of the Self-Regulatory Code. Non-executive directors and, specifically, independent directors, shall report to her for a better contribution to the activities and coordination of the Board of Directors.

The Board of Directors has considered it opportune to maintain the position of lead independent director, also at the time of the renewal of the company bodies, which you are reminded took place with the approval of the financial statements closed at 31 December 2015, because the Chairman was the trustee of the Landi Trust, governed by Jersey Law, which is the main shareholder of the company.

The lead independent director represents a point of reference and coordination for the applications and contributions of the non-executive Directors to improve the functioning of the Board of Directors, co-operates with the Chairman of the Board of Directors to ensure that directors receive complete and timely flows of information, and has powers to convene specific meetings of the independent directors to discuss matters considered to be of interest to the functioning of the Board of Directors and management of the company.

During the Period, the lead independent director actively participated to the meetings of the Board of Directors, coordinating as necessary and suitable, the requests and the contributions of the non-executive directors, and especially those of the independent directors.

#### **4.8 GENERAL MANAGER**

As of the date of this Report, no one is serving as general manager of the Company.



## 5. HANDLING OF CORPORATE INFORMATION

The Company launched a procedure for the internal management and the public disclosure of inside information, implementing the provisions laid down in market abuse legislation, including the new provisions set out in Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse, Commission Delegated Regulation 2016/522 of 17 December 2015, and Commission Delegated Regulation 2016/523 of 10 March 2016, also establishing procedures for the registration of persons with access to inside information, last updated on 13 November 2018.

In general terms, the procedure vests the Managing Director, with the support of the executive in charge of preparing corporate accounting documents and of the Investor Relations Manager, with responsibility for the internal handling and the public disclosure of inside information. It provides specific sections devoted to the definition of inside information and the recipients of said procedure, the relevant methods of handling inside information, the obligations in terms of conduct of recipients, the identification of bodies in charge for managing and disclosing inside information to the public, the methods for disclosing inside information to the public and the approval process for press releases, the methods of handling market rumours, the rules to be applied in the event of late disclosure to the market or in the event of disclosure of inside information to third parties, the instructions for meetings with the media and the financial community, the rules to be adopted in market surveys, and the creation of a register of persons with access to inside information, the persons authorised to conduct relations with the public and the persons bound by confidentiality obligations.

In compliance with the provisions of market abuse law, the Company has adopted an Internal Dealing Code, drafted pursuant to Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 and Articles 152-*sexies* et seq. of the Issuers' Regulations, lastly amended by the Board of Directors on 14 November 2017.

In accordance with this Code, a number of key personnel, understood as those with normal access to inside information and with the power to take management decisions that may affect the Company's trend and prospects, as well as the persons closely connected to them, are under an obligation to make disclosures to the market regarding transactions carried out on the listed securities issued by the Company.

The Internal Dealing Code provides for ceilings and deadlines for market disclosures, with relative sanctions in line with the relevant Consob provisions. Said Code also contains clauses governing the black-out period.

During the Period, the Company issued three announcements concerning insider dealing, available on the Company's internet site at <http://www.landirenzogroup.com/it/>, under section *Investors*, following receipt of relevant notices on significant transactions pursuant to Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 and Articles 152-*sexies* et seq. of the Issuer's Regulations.

## 6. COMMITTEES WITHIN THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2(D), OF THE CONSOLIDATED FINANCE ACT)

The Board of Directors has not set up any internal committees other than those provided for by the Self-Regulatory Code, other than the Committee for Related-Party Transactions, in

compliance with the provisions of the Related Party Transactions Regulations. Details of any said committees under the Self-Regulatory Code are given in the following chapters of this Report. Details of the Committee for Related-Party Transactions are given in section 12 of this Report.

The Company has not created any committee that performs the duties of two or more of the committees under the Self-Regulatory Code, nor has it reserved such duties to the Board of Directors as a whole, under the co-ordination of the Chairman, or divided these duties inconsistently with the provisions of Self-Regulatory Code.

## 7. APPOINTMENT COMMITTEE

The Board of Directors has decided not to set up an internal committee to manage proposals of appointments because, as of the date hereof, it has not yet deemed it necessary, especially taking into account the Landi Renzo group structure and the Company's ownership structure.

## 8. REMUNERATION COMMITTEE

### **Composition and functioning of the Remuneration Committee (pursuant to article 123-bis, subsection 2, letter d) of the Consolidated Finance Act)**

As of the date of this Report, the Remuneration Committee is comprised of three directors: Ivano Accorsi as Chairman and Sara Fornasiero, both of whom are Non-Executive and Independent Directors, and Angelo Iori, Non-Executive Director. Ivano Accorsi, Sara Fornasiero and Angelo Iori have suitable knowledge of and experience in accounting and financial matters. The members of the Remuneration Committee receive an annual gross remuneration for their work, as resolved by the Board of Directors on 29 April 2016.

The Remuneration Committee has its own internal rules, which provide, among other things, for the Managing Director to attend Committee Meetings without the right to vote, provided that the discussions and relative resolutions do not involve proposals concerning his remuneration.

The Directors are required to abstain from participating to meetings of the Board of Directors when proposals relating to their compensation are being discussed.

During the Period, four meetings of the Remuneration Committee were held, each lasting on average 45 minutes. During the Period, Ivano Accorsi, Sara Fornasiero and Angelo Iori attended 100% of the meetings. Three of the meetings were attended, without the right to vote, by Cristiano Musi, in his capacity as Managing Director, and one meeting was attended, without the right to vote, by Stefano Landi, in his capacity as the Chairman of the Board of Directors of the Company.

The meetings of the Remuneration Committee were attended also by the members of the Board of Statutory Auditors.

Considering the nature of the activity carried out by the Remuneration Committee, the Company elected not to provide the Committee with any predetermined spending amount, and to consider any spending requirements as they arise.

At least three meetings of the Remuneration Committee are planned for the current year, of which one was already held on 11 March 2019. Minutes of the Remuneration Committee's

meetings have been duly kept and the Chairman of the Committee reported thereon during the first following meeting of the Board of Directors.

#### **Duties of the Remuneration Committee**

The duty of the Remuneration Committee is to formulate proposals or express opinions to the Board of Directors, in the absence of those directly concerned if these are members of the Committee, regarding the remuneration of the Managing Director and those directors who hold particular positions and the setting of performance goals related to the variable component of said remuneration; it also periodically appraises the criteria adopted for the remuneration of key executives, supervising their application and making general recommendations on the matter and monitors the application of the decisions adopted by the Board of Directors, verifying, in particular, the actual achievement of the performance goals.

For additional information on the duties of the Remuneration Committee, see the relevant sections of the report on remuneration published pursuant to Article 123-*ter* of the Consolidated Finance Act.

### **9. DIRECTORS' REMUNERATION**

As regards remuneration, under the articles of association the Shareholders' Meeting assigns the Board of Directors emoluments that may consist of a fixed and a variable portion throughout the term of its mandate. The variable portion is commensurate to the achievement of certain objectives and/or to the economic results attained by the Company.

As regards the variable portion of the remuneration, under Italian Stock Market Regulations, in order to enter the STAR segment, the Company is required to appoint an internal Remuneration Committee and to provide that a significant part of the remuneration of Executive Directors and other top executives be calculated on an incentive basis.

See the report on remuneration, published pursuant to Article 123-*ter* of the Consolidated Finance Act for information regarding the remuneration policy generally, stock option incentive plans, and the compensation of executive directors, the general manager and managers with strategic responsibilities, and non-executive directors.

\*\*\*

#### **Directors' indemnity in the event of their resignation, dismissal or termination of employment following a takeover bid (pursuant to article 123-*bis*, subsection 1, letter i) of the Consolidated Finance Act)**

Except as disclosed in the report on remuneration published pursuant to Article 123-*ter* of the Consolidated Finance Act, as of the date of this Report, there are no agreements between the Company and the members of its Board of Directors that envisage the payment of indemnity in the event of their resignation, dismissal and/or termination of employment without due cause, or in any case of termination of employment following a takeover bid.

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

#### **Composition and working of the Audit and Risk Committee (pursuant to article 123-*bis*, subsection 2, letter d) of the Consolidated Finance Act)**

The Board of Directors ensures that its appraisals and decisions with regard to the internal audit system and risks management, the approval of the financial statements and half-year reports and the relations between the Issuer and the auditing firm are supported by satisfactory preliminary work. To this end, the Board of Directors set up an Audit and Risk Committee composed of Non-Executive Directors, the majority of whom are Independent Directors. At least one member of the Audit and Risk Committee should have satisfactory experience in accounting and financial matters, to be assessed by the Board of Directors at the time of his appointment.

As of the date of this Report, the Audit and Risk Committee is comprised of three directors: Sara Fornasiero as Chairman and Ivano Accorsi, both Non-Executive and Independent Directors, and Angelo Iori, Non-Executive Director. Sara Fornasiero, Ivano Accorsi and Angelo Iori have suitable knowledge of and experience in accounting and financial matters, as well as of a commercial and operational nature to enable them to have an organic view of the corporate risks.

The members of the Audit and Risk Committee receive an annual gross remuneration for their work, as resolved by the Board of Directors on 29 April 2016.

The Audit and Risk Committee has its own set of regulations. During the course of the Period, the Committee examined, *inter alia*, those activities pertaining to the internal audit system and risks management and the organisational Model provided for by Italian Legislative Decree 231/2001, and it provided the Board of Directors with assistance when called upon to do so.

During the Period, nine meetings of the Audit and Risk Committee were held, lasting on average 120 minutes each. During the Period, Sara Fornasiero, Ivano Accorsi and Angelo Iori took part to 100% of the meetings. Two meetings were attended, in an advisory capacity and without the right to vote, by Cristiano Musi, as Managing Director and executive director in charge of supervising the internal audit system and risk management and Paolo Cilloni, as Chief Financial Officer and executive in charge of preparing the Financial Statements of the Company in accordance with Italian Law 262/2005. In addition, some meetings were attended, in an advisory capacity and without the right to vote, by Mr Filippo Alliney, as head of internal audit, and by Fiorenzo Oliva, in his capacity as consultant to the Company. Moreover, the following persons attended meetings as representatives of the auditing firm, in an advisory capacity and without the right to vote: (i) Mr Massimo Rota, Mr Stefano Ferro, and Mrs Sara Balducci attended one meeting, (ii) Mr Nicola Madureri attended two meetings and (iii) Mr Giuseppe Ermocida attended three meetings. Meetings of the Audit and Risk Committee were also attended by the members of the Board of Statutory Auditors.

At least five meetings of the Audit and Risk Committee are planned for the current year and two of these were already held on 11 March 2019 and 14 March 2019. Minutes of the Audit and Risk Committee's meetings have been duly kept and the Chairman of the Committee reported thereon during the first following meeting of the Board of Directors.

#### **Duties and powers of the Audit and Risk Committee**

Upon receiving prior opinion of the Audit and Risk Committee, the Board of Directors:

- a) sets down the guidelines for the internal audit and risk management system so that the main risks faced by the Issuer and its subsidiaries are correctly identified and properly measured, managed and monitored, also deciding on the degree of

compatibility of these risks with a corporate governance in line with the strategic objectives set;

- b) at least once a year assesses the adequacy of the internal audit and risk management systems in consideration of the characteristics of the company and its risk profile, as well as effectiveness of the same;
- c) at least once a year, approves the working plan prepared by the head of Internal Audit, having heard the Board of Statutory Auditors and the director in charge of the internal audit and risk management system;
- d) in its corporate governance report, describes the main features of the internal audit and risk management system and the procedures of coordination among the persons involved, expressing its opinion on the adequacy of the same;
- e) having heard the Board of Statutory Auditors, assesses the results laid down by the legal auditor in the letter of recommendations and in the report on the fundamental issues highlighted by the legal audit.

Moreover, the Board of Directors, at the proposal of the Director in charge of the internal audit and risk management system, having received the preliminary favourable opinion of the Audit and Risk Committee, and having heard the Board of Statutory Auditors:

- appoints or discharges the head of Internal Audit;
- ensure that he/she is endowed with resources adequate for the performance of his/her duties;
- sets his/her remuneration in line with the policies of the Company.

In addition to assisting the Board of Directors in the performance of the above duties, the Audit and Risk Committee:

- a) with the executive in charge of the preparation of the corporate accounting records and having heard the legal auditor and the Board of Statutory Auditors, verifies that accounting principles have been correctly followed and, in the case of groups, that they are consistent for the purposes of the consolidated financial statements;
- b) expresses opinions regarding specific aspects involving the identification of the main corporate risks;
- c) reviews periodic reports concerning the assessment of the internal control and risk management system, and periodic reports of particular relevance prepared by the Internal Audit function;
- d) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- e) may request the Internal Audit function to perform controls on specific operational areas, concurrently notifying the chairman of the Board of Statutory Auditors thereof;

- f) reports to the Board of Directors at least every six months on the occasions of the approval of the annual and half-year reports regarding the activities carried out and the adequacy of the internal audit and risk management system;
- g) supports, with adequate activity, the evaluations and decisions of the Board of Directors relating to the management of risks resulting from prejudicial facts that the Board of Directors has come to know.

During performance of its duties, the Audit and Risk Committee has the authority to access the company information and functions as necessary for it to perform its duties.

In the meetings held during the Period, the Committee focused in particular on the following:

- the criteria and findings relating to the application of impairment testing process to the value of equity investments in subsidiary companies;
- the quarterly and annual results in order to assess the proper application of accounting principles and consistency of the same for the purpose of drawing up the consolidated financial statements;
- the corporate governance report for 2018;
- the non-binding opinion to the Board of Directors on the appointment of the head of Internal Audit;
- periodic reports and the working plan prepared by the head of Internal Audit;
- periodic meetings with the auditing firm and the Board of Statutory Auditors;
- compliance with the Privacy Regulation (EU) 2016/679 (GDPR);
- updates of the main projects of the Group relating to regulatory and legislative compliance and accounting matters;
- periodic reports of the Supervisory Body pursuant to Legislative Decree 231/2001;
- updates of the Organizational, Management and Control Model pursuant to Legislative Decree 231/2001;
- the digitisation project of the documentation for the Board of Directors;
- reports on activities prepared by the Director in charge of the internal audit and risk management system;
- the issuance of the procedure for the conferral of mandates to the auditing firms;
- assessment of the adequacy of the internal audit and corporate risk management system;
- resolutions of the bondholders' meeting held on 28 December 2018; and

- the Group's economic and financial condition, holding meetings and consultations with the Managing Director and the Chief Financial Officer and other management and supervisory corporate bodies.

In the exercise of its duties, the Audit and Risk Committee has the right to avail itself of external consultants and to have access to the corporate information and functions it needs to perform its duties.

Considering the nature of the activities of the Audit and Risk Committee, the Company has decided not to grant the committee a predefined expense limit, preferring to consider on a case by case basis the expenses that may be needed from time to time.

## 11. INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

The internal audit system and risk management is the collection of rules, procedures and organisational structures designed to allow proper management of the company, in line with the set objectives, through the identification, measurement, management and monitoring of the principal risks involved.

The Board of Directors assesses the effectiveness of internal audit and risk management system and its adequacy in consideration of the characteristics of the company on a yearly basis. As a result of the analysis performed during the Period, the internal audit and risk management system was found to be effective and adequate in consideration of the characteristics of the company and the risk profile assumed.

In defining strategic, business and financial plans, the Board of Directors defined the nature and level of risk as compatible with the strategic objectives of the Issuer, including in its assessments all risks which may acquire relevance for sustainability of the Company's business in the medium-long term, and determined the guidelines for the internal audit and risk management system.

The guidelines provided by the Landi Renzo group's internal audit system, as established by the company's Board of Directors with the aid of the Audit and Risk Committee, perceive the internal audit system and risk management as a transversal process integrated with all corporate activities, based upon the international principles of Enterprise Risk Management (ERM). The internal audit system and risk management is designed to help the group achieve its own performance and profitability targets, obtain reliable economic-financial information and ensure conformity with the laws and regulations in force, thus avoiding damage to the company's image and financial losses. Within the framework of this process, particular importance is given to the identification of company objectives and to the classifications and management of those risks associated with these objectives, through the implementation of specific actions designed to contain such risks. Corporate risks may be of various kinds: strategic risks, operating risks (associated with the efficacy and efficiency of corporate operations), reporting risks (associated with the reliability of economic-financial information), and finally, compliance risks (concerning observance of the laws and regulations in force, thus avoiding financial losses and/or damage to the company's image). All risks may also be of an exogenous or endogenous nature vis-à-vis the Landi Renzo group.

The persons in charge of the various company departments identify and assess their respective risks, and see to identifying risk containment and reduction measures (so-called "primary line control").

The above activities are supplemented by the controls carried out by the Manager responsible for the preparation of corporate documents and his/her staff (the so-called "second-level control") and by the head of Internal Audit (the so-called "third-level control"), who assess, on an on-going basis, the effectiveness and efficiency of the internal audit system and risk management, through risk assessment, cyclical audit and follow-up management.

The following are details of the main structural elements on which the Company's internal audit system and risk management is based.

#### **The structural features of the control environment**

- Code of Ethics – The Landi Group's Code of Ethics, approved in March 2008, sets out the principles and values underlying its way of doing business, together with the rules of conduct and implementation rules pertaining to said principles. The Code of Ethics is an integral part of the Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001. The Code of Ethics, which is binding on the conduct of all the employees of the Group, has been revised within the framework of the programme for the updating of 231 Model, following the introduction of the new crime of self-money laundering (art. 648-ter, 1, of the Italian Criminal Code). The new Code of Ethics is in force from 12 November 2015.
- Organisational structure - The Landi Renzo group's general organisational arrangements are defined by a series of internal organisational communications issued by the Human Resources Department, as recommended by the Managing Director. The Landi Renzo group's structure, the organisational charts and the organisational measures can be consulted by all employees on the Company's Intranet site;
- Internal Audit function – The Landi Renzo group possesses an internal audit function with the scope of assessing, through continuous monitoring of the corporate risks, the soundness of the internal control system.

#### **Instruments designed to safeguard operating targets**

- Strategic planning, management control and reporting – During the Period, the Landi Renzo group utilised a reporting instrument aimed at tracking the accounting figures and comparing them to the budget and forecasting figures. This reporting instrument also supports processing of "what if analysis" at a high degree of detail, processing different hypothetical scenarios on main items of the profit and loss accounts on a rolling basis over 12 months.
- Enterprise Risk Management (ERM) – On the basis of a project that was started and completed in 2008, those companies within the Landi Renzo group deemed to be of importance for this purpose were the beneficiaries of a newly-created risk management system based on the principles of ERM. This system includes management of risks relating to the financial data disclosure process pursuant to Article 123-bis, subsection 2(b) of the Consolidated Finance Act, the main characteristics of which are described in a separate paragraph below. This system has led to the identification of the risks related to the performance of the main corporate processes and the control actions to be undertaken in order to contain residual risks. The Landi Renzo group's main risks and uncertainties are listed in a special chapter of the Management Report;



- Company operating procedures system – The administrative procedure manuals, drawn up in accordance with Italian Law 262/2005 on the safeguarding of savings, together with the working procedures and instructions issued by the Quality System, and finally the organisational guidelines issued by the Human Resources department, ensure the correct implementation of corporate guidelines, and thus the reduction of risks associated with the achievement of company objectives;
- Information systems – The Landi Renzo group's information system has been created using the very latest technologies and packages. Use of the system is governed by a series of internal procedures that help improve safety, confidentiality and safeguard data, and the correct utilisation of the system by users.
- Human resources – The Landi Renzo group possesses a formal procedure for the selection and hiring of personnel, and the planning and management of training. Pay policy, in keeping with best practices and the market, envisage a share of variable remuneration for senior managers and executives.

#### **Instruments designed to safeguard compliance targets**

- Corporate Ethics and Compliance Model pursuant to Italian Legislative Decree 231/2001 – See section 11.3 below.
- Accounting control model pursuant to Italian Law 262/2005 regarding the protection of savings which is made up of the Manuals of administrative procedures pursuant to Italian Law 262/2005 (hereinafter, the "**Manuals**") that formalise the role of process owners.
- The Manuals of administrative procedures are available for all the employees on the Company's intranet. Any significant procedural discrepancies, differences and/or departures are promptly notified to the executive appointed to draft corporate accounting documents, in order that the due corrective measures be taken.

#### **Instruments designed to safeguard reporting targets**

- Accounting information and financial reporting – The aforesaid Manuals of administrative procedures pursuant to Italian Law 262/2005, together with the Landi Renzo group's Accounting Manual, safeguard the correct drafting and reporting of accounts and of statutory and consolidated financial statements;
- Inside information – The procedures for the internal handling, and the communication to the outside world, of inside information are constantly updated, in order to maintain said procedures in line with Community directives on market abuse;
- Internal communications – The head of Internal Audit has access to all information which is expedient for the performance of his/her duties. This aids the prompt acquisition of information concerning company management which, at the same time, is promptly analysed in order to identify the associated risks and, where deemed opportune, included in the economic-financial reporting.

#### **Instruments for monitoring the internal audit system and risk management**

The abovementioned instruments of control are monitored not only by those persons in charge of the various company departments, but also independently by the head of Internal Audit, who shall constantly monitor the effectiveness and efficacy of the internal audit system and risk management, through risk mapping, the performance of audits, and the subsequent management of the follow up.

**Principal characteristics of the risk management system and internal audit system in relation to the financial reporting process pursuant to 123-bis, subsection 2(b) of the Consolidated Finance Act**

In relation to the financial reporting process, the risk management system should not be considered separately from the internal audit system, because they are both elements of the same system.

The aim of the risk management and internal audit system in relation to the financial reporting process is to guarantee the reliability, accuracy and timeliness of the same.

During the preparation of the latest audit plan by the internal Audit Function for the three-year period 2019-2021, the risks connected to the performance of the main corporate processes have been identified.

The monitoring and control activities are carried out on three levels:

- first-level control (the so-called "primary line control") inherent in the performance of operating processes and assigned on an on-going basis by the operating management/ process owner;
- second-level control, i.e., those checks performed by the manager in charge of the preparation of corporate accounting documents and his/her team, to monitor the risk management and control process in relation to the financial reporting process, securing consistency of the same with the company objectives;
- third-level control, i.e. on-going independent monitoring by the head of Internal Audit in relation to the effectiveness and efficiency of the internal audit system and risk management with respect to financial reporting process, through risk mapping, the conduct of audits and follow-up management.

**Overall assessment of the suitability of the internal audit system and risk management**

On the basis of the information and findings received with the support of investigations carried out by the Audit and Risk Committee, the head of Internal Audit, and the Supervisory Body pursuant to Italian Legislative Decree 231/2001, the Board of Directors believes that the Landi Renzo group's internal audit system and risk management is suitable and efficient and effectively operational, and thus apt to secure an acceptable level of overall risk in consideration of the business carried out by the company, the company's characteristics and the market in which it operates.

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

At the 28 April 2017 meeting, the Board of Directors, with the approval of the Audit and Risk Committee, selected Executive Director in charge of supervising the operation of the internal audit system and risk management as being the Managing Director Cristiano Musi, vesting him with the functions set forth by the Self-Regulatory Code.

The director in charge of the internal audit and risk management system: (a) identifies the major corporate risks, bearing in mind the nature of the business carried out by the Issuer and its subsidiaries, and submits them periodically for review to the Board of Directors; (b) implements the guidelines set by the Board of Directors, and sees to the planning, establishment and management of the internal audit and risk management system, and verifies on an on-going basis its overall suitability, effectiveness and efficiency; (c) procures that the system be adapted to the dynamics of operating conditions and to the legislative and regulatory framework; (d) may request the Internal Audit function to carry out controls on specific operational areas and on the compliance of corporate operations with internal policies and procedures, concurrently notifying thereof the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors; and (e) promptly notifies the Audit and Risk Committee (or the Board of Directors) of any issues or problems found in performing its tasks or learnt in any way whatsoever, so that the Committee (or the Board of Directors) may take appropriate measures.

## 11.2 HEAD OF THE INTERNAL AUDIT FUNCTION

The Board of Directors, in the meeting of 20 June 2018 – upon proposal of the executive Director in charge of supervising the functioning of the internal audit system, having received the preliminary favourable opinion of the Audit and Risk Committee and having heard the Board of Statutory Auditors – appointed Mr Filippo Alliney (of counsel of Andersen Tax&Legal since 2017) as the Internal Audit Manager, stating that Mr Alliney is not responsible for any area of operations and is not hierarchically under any operations area manager, including the Administration, Finance and Control department.

Mr Filippo Alliney satisfies the requirements of professionalism, independence and organization and lacks any corporate relationships with the Issuer.

The Issuer has decided to appoint Mr Filippo Alliney as Internal Audit Manager also in light of the resignation of Mr Enrico Gardani (who has decided to pursue other professional opportunities), as well as to ensure greater independence, autonomy and professionalism and a wider confrontation with the market's best practices.

The head of the Internal Audit function has, *inter alia*, the duty to verify that the internal audit system and risk management is always adequate, fully operational and functional and reports on his work to the Audit and Risk Committee, the Board of Auditors and the Director in charge of supervising the operation of the internal audit and risk management system.

The head of the Internal Audit function has access to all the information required for the performance of his duties, and has been provided with sufficient funds, for each year of his appointment, up to a maximum gross sum of Euro 50,000.

The activities of the head of the Internal Audit function, consistently with the three-year Landi Renzo group's audit plan approved by the Board of Directors on 13 November 2018 are aimed, through the audits and the participation in the company's activities, to express an assessment of the soundness of the internal control system.

The nature and purpose of the Internal Audit function is to verify that the internal control system is effective in limiting corporate risks. In this scenario, the Internal Audit function's objective is twofold: on the one hand, of a formal nature, to ensure that market best practices are respected, to guarantee an adequate flow of information to the corporate bodies and confrontation with other control functions, and, on the other hand, of a substantive nature, through verifications, also through testing activities, on the audits existing within the corporate processes (assurance) or by the adequate management of development/operational adjustment projects (control design).

In carrying out the activities provided for in the audit plan, the Internal Audit function will comply with the market practices referred to in the Regulations approved by the Board of Directors, interacting constructively with the stakeholders of the processes or of the activities under review.

The selection of the areas subject to verification took place through a process of risk analysis and assessment (risk mapping) involving the audit bodies (*i.e.* the Internal Audit and Risk Committee and the Supervisory Body) and the Issuer's management. However, the continuous interaction with the corporate bodies and structures allows that the risk assessment becomes subject to continuous updates and, consequently and with the same resources, the audit plan may be subject to adjustments.

Coverage of all corporate risks (audit cycle) requires the preparation of an audit plan with a three-year horizon. The allocation of the audits within the three-year period has been established taking into account the greater or lesser relevance of the risk. The three-year plan will in any case be subject to annual review in relation to the evolution of the company structure and the related risks.

The head of the Internal Audit function:

- verifies, on an on-going basis as well as in relation to specific needs and in compliance with International standards, the operations and the suitability of the internal audit and risk management system, through the three-year audit programme approved by the Board of Directors and based on a process for the structured analysis and prioritisation of the main risks;
- prepares the periodic reports setting forth adequate information on its activities, on the methods used to manage risks, on compliance with the predefined plans to contain risks, as well as a valuation of the suitability of the internal audit and risk management system, and submits them, with variable frequency, to the Chairmen of the Board of Statutory Auditors, Internal Audit and Risk Committee, and Board of Directors as well as the Director in charge of the internal audit and risk management system;
- prepares promptly reports on significant events, and submits them to the Chairmen of the Board of Statutory Auditors, Internal Audit and Risk Committee, and Board of Directors as well as the Director in charge of the internal audit and risk management system;

- verifies, in the context of the audit plan, the reliability of the information technology systems, including the accounting systems.

### 11.3 COMPLIANCE MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The Board of Directors, in compliance with the terms laid down in Article 2.2.3, paragraph 3 (j) of the Stock Market Regulations, approved its Corporate Ethics and Compliance Model in accordance with Article 6 of Legislative Decree 231/2001 (the "**Model**"), as subsequently amended. The Model was drafted on the basis of the guidelines of the Italian Confederation of Industrialists' and in compliance with applicable legislation.

With the adoption and effective implementation of the Model, the Company will not be liable for offences committed by "top" managers and persons subject to their supervision and instructions.

The Model lays down a series of rules of conduct, procedures and control activities as well as a system of powers and delegated responsibilities whose purpose is to prevent the occurrence of the criminal offences expressly listed in Legislative Decree 231/2001. A disciplinary system has also been introduced to be applied in the event of breaches of the provisions of the Model.

In order to implement the Model, a supervisory body (the "**Supervisory Body**") was set up, with the functions contemplated in Article 6, subsection 1(b) of Legislative Decree 231/2001. The Supervisory Body is composed of Jean-Paule Castagno, as chairman, Sara Fornasiero and Domenico Sardano, who have been appointed for a term of office ending upon approval of the financial statements for the period ending on 31 December 2018.

Every six months, the Supervisory Body informs the Board of Directors in writing on the implementation and actual awareness of the Corporate Ethics and Compliance Model within each Company department.

The Model has been updated over the years in order to take into account changes introduced from time to time by lawmakers. In particular, at the meeting held on 28 August 2012, the Board of Directors acknowledged and approved a number of amendments to the Model aimed at including environmental crimes among conditions of corporate liability pursuant to Legislative Decree 231/2001; later, on 27 August 2013, the Model was again updated following the entry into force of Law 190/2012 ("Measures for the repression of corruption"). Lastly, the most recent update to the Model was approved by the Company's Board of Directors on 12 November 2015 in order to include the new criminal offence of self-money laundering (art. 648-ter of the Italian Criminal Code).

The Model has been published and circulated to all personnel, outside collaborators, customers, suppliers and partners in the form required by law.

Finally, again in the framework of the activities to be carried out in order to implement the Model, the Board of Directors adopted the Landi Renzo group's Code of Ethics, as changed on 12 November 2015. In fact, as specified in the Italian Confederation of Industries guidelines, the adoption of ethical principles that have a role to play in the prevention of criminal offences is an essential element in a preventive control system. Specifically, the Landi Renzo Code of Ethics sets out corporate values and the combination of rights, duties and responsibilities of its addressees and provides for the imposing of sanctions, independently and autonomously of those laid down in the national collective labour agreement.

Pursuant to article IA.2.10.2, subsection 2, of the Instructions to the Stock Exchange Regulations of, on 14 June 2017 the representative Mr Stefano Landi duly certified the Company's approval on 20 March 2008 of the Organizational, Management and Control Model pursuant to article 6 of Legislative Decree 231/2001 and the composition of the Supervisory Body. Said certification is part of the documentation requested annually by Borsa Italiana from those companies listed in the STAR segment, in order that they may remain listed as such.

During the Period, the Supervisory Body met five times. As of the date hereof, the Board of Directors did not deem it necessary to vest the Board of Statutory Auditors with the functions of supervisory body.

#### **11.4 AUDITING FIRM**

On 29 April 2016, at the reasoned proposal of the Board of Auditors, the Shareholders' Meeting appointed the PriceWaterhouseCoopers S.p.A. firm of auditors, with head office at Via Monte Rosa 91, Milan, as the Company's auditors of the statutory and consolidated financial statements for the period 2016-2024 and to carry out limited audits of the Landi Renzo group's consolidated half-year reports during the same period.

On 16 October 2017, auditing firm PriceWaterhouseCoopers S.p.A. was also granted a mandate for a limited review, i.e., limited assurance, for the non -financial consolidated report pursuant to Legislative Decree 254/16 for the financial years from 2017 to 2024.

#### **11.5 EXECUTIVE IN CHARGE OF PREPARING CORPORATE ACCOUNTING DOCUMENTS**

Chief Financial Officer Paolo Cilloni, executive in charge of the Issuer's administration, finance and control department, was appointed, pursuant to article 154-*bis* of the Consolidated Finance Act, by the Board of Directors of the Company on 29 April 2016, with the approval of the Board of Auditors, as the Executive in charge of preparing corporate accounting documents, as he satisfies the requirements for the appointment and, in particular, has a proven expertise in accounting and finance, in line with the requirements of Article 24 of the articles of association.

The Board of Directors' meeting of 29 April 2016 granted the Executive in charge of preparing corporate accounting documents, Mr Paolo Cilloni, sufficient resources and powers for him to perform his assigned duties, it being understood that the Managing Director is obliged to report on the matter to the Board of Directors and to ensure that such means and resources are provided and that administrative and accounting procedures are actually observed. In addition, the Board of Directors decided the remuneration the Executive concerned should receive for the performance of these duties.

#### **11.6 CO-ORDINATION OF PERSONS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

As of the date hereof, the Issuer has not considered the adoption of any specific procedure to co-ordinate the various persons involved in the internal audit and risk management system, as it deems that the bodies and various functions are adequately and efficiently integrated with one another, without duplicating any activity.

## 12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the Related Party Transactions Regulations and its successive interpretation communications, on 29 November 2010, the Board of Directors has (i) adopted a new internal procedure setting forth the rules and principles to follow to ensure the transparency and fairness, in substance and procedure, of transactions with related parties entered into by Landi Renzo, directly, or through or its direct or indirect subsidiaries, and (ii) on 29 April 2016 also appointed a Committee for Related Party Transactions composed of two independent directors (Sara Fornasiero and Ivano Accorsi). In accordance with the Related Parties Regulation, the internal procedure was approved by the Board of Directors with the approval of the Committee for Related Party Transactions. During the Period, 2 meetings of the Committee for Related Party Transactions were held, on 18 June 2018, and 28 December 2018. The first of the meetings was attended, without the right to vote, by Paolo Cilloni, in his capacity as the Company's Chief Financial Officer. The second meeting was attended, without the right to vote, by Cristiano Musi, in his capacity of Managing Director and by Stefano Landi, in his capacity of Chairman of the Board of Directors of the Company.

In compliance with the suggestions under Consob Communication DEM/10078683 of 24 September 2010, the above procedure was subject to verification by the Board of Directors on 13 March 2015. As a result of such verification, the Board of Directors has deemed the procedure is adequate and functional in consideration of the operational needs of the Company, and that no amendments were necessary.

The following are the most significant aspects of the procedure:

- (a) the classification of "Related Party Transactions" as transactions of Greater Importance (transactions with a counter value or asset or liability relevance index that exceeds the 5% threshold), Negligible Value (transactions with such a low value as not to involve any prima facie material risk to investor protection and are therefore excluded from the scope of application of the new procedure, identified by the Company as transactions with a value not exceeding Euro 200,000), and Lesser Importance (residual category including Related Party Transactions other than those of Greater Importance or of a Negligible Value)
- (b) the rules on transparency and communications to the market have become stricter in the case of transactions of Greater Importance, requiring publication of a specific information sheet;
- (c) the particularly important role attributed to the Committee for Related Party Transactions in the procedure to evaluate and approve transactions;

This Committee is responsible for ensuring the substantial fairness of transactions with related parties and issuing an opinion on the interests of the company in carrying out the transaction as well as the financial appropriateness (*convenienza*) and fairness of the relevant conditions. In the case of transactions classified as having Lesser Importance, the Company may in any case precede with the transaction despite an unfavourable opinion of the Committee for Related Party Transactions. In this event, information regarding the transactions approved in the relevant quarter must be provided to the public within fifteen days of the close of each financial quarter, despite the unfavourable opinion, specifying the reasons why the Company did not agree with the opinion of the Committee for Related Party Transactions.

The Board of Directors is exclusively responsible for the approval of Transactions of Greater Importance and the Committee has a broader role. The Committee takes part in the negotiations phase of the transaction, during which it receives full and timely information from the delegated bodies and parties responsible for conducting the negotiations and may request additional information and provide any considerations. In addition, if the Committee for Related Party transactions gives an unfavourable opinion, the Board of Directors cannot approve the Transactions of Greater Importance.

In urgent circumstances relating to transactions with related parties that are not under the responsibility, or subject to the authorisation, of the shareholders' meeting, the Board of Directors will have the right to approve these transactions with related parties, even where they are implemented through subsidiaries, in derogation of the customary provisions of the internal procedure for related-party transactions adopted by the Company, subject to compliance with and at the conditions set out in the procedure.

The above procedure applicable to related party transactions is available on the Company's website at [www.landirenzogroup.com/it/](http://www.landirenzogroup.com/it/), in the Investors section.

Considering the limited number of circumstances in which a Director has an interest, for his or her account or on behalf of a third party, and because of the adequate functioning of the procedure for related party transactions, the Board of Directors has determined it is not necessary to adopt additional operating solutions to define and to manage circumstances where a Director has an own or third-party interest, which circumstances will be analysed on a case-by-case basis by the Managing Director.

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

Under Article 22 of the Company's articles of association, the Board of Auditors is composed of three Statutory and two Alternate Auditors, who can be re-elected.

The Board's functions, duties and term are as laid down by law. When the members of the Board are appointed, the Shareholders' Meeting determines their remuneration, also in the light of their participation in any internal committees. Auditors are entitled to the refund of the expenses they incur in the exercise of their functions.

The members of the Board of Auditors must satisfy the requisites of good character, professionalism and independence required under the law and regulations.

The members of the Board of Auditors are elected, in compliance with gender-balance law in force at the time, from lists presented by the shareholders, in which the candidates must be listed in progressive number order, so that the minority is assured the appointment of one Statutory and one Alternate Auditor. The lists must not contain a higher number of candidates than those to be elected.

In addition, where mandatory gender allocation criteria apply, each list with at least three candidates (considering both sections) shall include a number of candidates of the less represented gender equal at least to the minimum number envisaged under applicable law and regulations in force at the time. Should the section of alternate auditors of these lists have at least two candidates, they shall be of different genders.



Shareholders holding, even jointly, at least 2.5% of the share capital representing shares that confer voting rights at shareholders' meetings held to deliberate the appointment of the members of the governing body, or such other proportion of the share capital as may be determined from time to time by Consob, in accordance with the rules applicable to the Company, may present a list of candidates. The notice calling the shareholders' meeting will state the level of ownership required to present a list of candidates. Such percentage of ownership is consistent with that provided under Article 144-*quater* of the Issuers' Regulations for companies with market capitalisation of up to Euro 1 billion.

Each shareholder, the shareholders adhering to a shareholders' agreement relevant under Article 122 of the Consolidated Text, the parent company, the subsidiary companies and companies subject to joint control may not present or join in the presentation of more than one list, not even through a third party or a trust company, nor may they vote for different lists, and each candidate may only stand in one list, on pain of ineligibility. Candidatures and votes expressed in breach of this prohibition shall not be attributed to any list.

Lists must be deposited at the Company's registered office at least 25 days prior to the date scheduled as prescribed by law, including regulatory provisions, applicable at the time. The notice calling the shareholders' meeting will provide instructions to allow remote deposit of the list by distance communication. Ownership of the amount of shares required to present a list must be proven with the methods and at the terms required under the law and regulatory provisions in force at the time.

In the event that upon expiry of the term for the presentation of lists only one list has been presented, or only lists presented by shareholders connected with each other under the laws and regulations in force have been presented, it will be possible to present lists until the third day after that date of expiry. In this case, shareholders that, alone or with other shareholders, own overall treasury shares representing half of the share capital threshold specified in the above provisions, may present lists.

If no list is presented, the Shareholders' Meeting adopt resolutions by the statutory majority without observing the procedure described below, provided it complies with the gender-balance requirement specified above, where so required by law and regulatory provisions in force at the time.

In all cases, the following documents must be deposited together with each list and within the times specified above: (i) information regarding the shareholders presenting the list and the total number of shares they hold; (ii) declarations from the individual candidates to the effect that they agree to stand for election and that they certify, on their own responsibility, that there are no causes of their incompatibility or ineligibility, including the accumulation of positions in accordance with the applicable laws and regulations, and also that they satisfy any requirements that may be laid down for the positions involved; and (iii) CVs with full information regarding the personal and professional characteristics of each candidate, specifying the administration and auditing functions exercised in other companies. Lists presented by shareholders other than those holding, even jointly, a controlling or relative majority shareholding must also attach a certificate to the effect that there are no relationships connecting them with controlling or relative majority shareholders in accordance with the regulation in force. Lists presented that do not comply with these provisions shall be considered as not having been presented.

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

- (a) from the list that has obtained the highest number of votes (the "**Majority List**"), two Statutory and one Alternate Auditor are taken on the basis of the numerical order in which they appear in the list;
- (b) from the list that has obtained the second highest number of votes, provided that it is not connected in any manner, even indirectly, in accordance with the applicable laws and regulations, with the shareholders that presented or voted for the Majority List (the "**Minority List**"), the remaining Statutory and the other Alternate Auditor are taken on the basis of the numerical order in which they appear in the list.

If the first two, or more than two, lists obtain an equal number of votes, a further ballot by the Shareholders' Meeting will take place, whereby only such lists will be voted for. The same rule applies in the event of an equal number of votes being cast for lists in second place, provided that they are not connected, even indirectly, in accordance with the laws and regulations in force.

In the event that the lists continue to obtain an equal number of votes, the list will prevail that is presented by the shareholders with more equity in the company, or, subordinately, the list that is presented by the greater number of shareholders. In all the events specified above, the composition of statutory auditors shall satisfy the aforementioned gender balance requirements, if so required by the law and regulatory provisions in force at the time.

If the above procedure does not ensure a composition of the Board of Statutory Auditors, in terms of standing members, which complies with the law on gender balance in force at the time, the last elected candidate of the most represented gender (in numerical order) in the Majority List shall be replaced by the first non-elected candidate of the less represented gender (in numerical order) of the same list, or in the absence thereof, by the first non-elected candidate of the less represented gender (in numerical order) of the other lists, based on the number of votes obtained by each of them. This procedure shall apply until a composition of the Board of Statutory Auditors is reached which complies with the law on gender balance in force at the time. Should this procedure not lead to the results specified above, the replacement will be made according to a resolution adopted by the Shareholders' meeting with the relative majority, subject to the presentation of candidates of the less represented gender.

The candidate elected in first place in the Minority List is appointed as the Chairman of the Board of Auditors.

Auditors lose office if they cease to satisfy the requirements laid down by law and in the articles of association.

In the event of the replacement of an Auditor elected from the Majority List, his place is taken by the first Alternate Auditor belonging to the same list as the replaced Auditor, or, if this does not secure compliance with the aforementioned gender balance requirement, the first alternate auditor who, following the numerical order in which the alternate auditors are listed, satisfies such requirement. Should the preceding provisions of this clause be not applicable, the replacement shall be made by the Shareholders' Meeting, which shall adopt resolutions with the majorities set forth by applicable law provisions, subject to the presentation of candidates of the less represented gender.

If Statutory and/or Alternate Auditors need to be appointed to make up the number of members of the Board after the replacement of a Statutory and/or Alternate Auditor elected in the Majority List, the Shareholders' Meeting adopts a resolution by the statutory majority, should the application of the criteria set out in the preceding paragraph not result in the integration of the number of members of the Board, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time.

In the event of the replacement of an Auditor elected from the Minority List, his place is taken by the alternate auditor belonging to the same list of the replaced Auditor, or subordinately, by the candidate immediately following in the same list as that of the replaced Auditor, or, again subordinately, by the first candidate in the minority list that obtained the second highest number of votes, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time. In the absence thereof, the replacement shall be made by the Shareholders' meeting, which shall adopt resolutions with the relative majority and in compliance with the above requirements. This does not affect the fact that the Chairman of the Board of Auditors remains the Auditor from the Minority List.

If Statutory and/or Alternate Auditors need to be appointed to make up the number of members of the Board after the replacement of a Statutory and/or Alternate Auditor elected in the Minority List, the Shareholders' Meeting adopts a resolution by the statutory relative majority, choosing from the candidates appearing in the list to which the Auditor to be replaced belonged, or appearing in the minority list that obtained the second highest number of votes, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time. In the absence thereof, the replacement shall be made by the Shareholders' meeting, which shall adopt resolutions with the relative majority and in compliance with the above requirements.

When the Shareholders' Meeting is called upon, in accordance with Article 2401, paragraph 1, of the Civil Code, to appoint or replace one of the Auditors elected from the Minority List, any votes cast by shareholders that hold a controlling or relative majority interest, even jointly, are not taken into consideration.

Board of Statutory Auditors' meetings may also be held by audio and video link in accordance with the procedures set forth in the Company Articles of association.

#### **14. COMPOSITION AND ACTIVITY OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-BIS, SUBSECTIONS 2, LETTER D) AND D-BIS) OF THE CONSOLIDATED FINANCE ACT)**

The Ordinary Shareholders' Meeting on 29 April 2016 appointed the Company's Board of Statutory Auditors, whose term will expire upon the approval of the financial statements at 31 December 2018.

The members of the Board of Statutory Auditors were elected on the basis of two different lists: (a) two Statutory Auditors and one Alternate Auditor were elected from list number 1), presented jointly by the majority shareholders Girefin S.p.A. and Gireimm S.r.l., whilst (b) one Statutory Auditor and one Alternate Auditor were elected from list number 2) presented by the minority shareholder Aerius Investment Holding AG.

List number 1) included the following candidates:

- Massimiliano Folloni, born in Novellara (Reggio Emilia), on 30 March 1950, Statutory Auditor;
- Diana Rizzo, born in Bologna, on 21 July 1959, Statutory Auditor;
- Fabrizio Lotti, born in Modena, on 14 January 1964, Statutory Auditor;
- Filomena Napolitano, born in Nola (Napoli), on 10 March 1970, Alternate Auditor;
- Francesca Folloni, born at Correggio (Reggio Emilia), on 16 December 1979.

List number 2) included the following candidates:

- Eleonora Briolini, born in Pescara on 8 December 1971, Statutory Auditor
- Andreas Angelillis, born in Milan on 21 June 1977, Alternate Auditor.

The candidates from the list number 1) were elected with the favourable vote of 66,498,130 shares. The candidates from the list number 2) were elected with the favourable vote of 11,449,418 shares. 10 dissenting votes were cast in respect of the proposed lists. The voting share capital attending the meeting represented 66.29% of the share capital.

On 19 May 2017, Massimiliano Folloni, a standing member of the Board of Statutory Auditors passed. Following his death, alternate member of the Board of Statutory Auditors Filomena Napolitano temporarily replaced him as standing member of the Board of Statutory Auditors. In light of the above, and to ensure that the membership of the Board of Statutory Auditors is consistent with the gender requirements set out in the applicable laws and regulations, on 17 October 2017, the Shareholders' Meeting appointed Domenico Sardano as standing auditor and confirmed Filomena Napolitano as alternate auditor.

Members of the less represented gender constitute a third of the standing members and of the alternate members of the Board of Statutory Auditors.

As of the date of this Report, the Board of Statutory Auditors is composed as follows:

Full name	Title	Serving since	% attendance at Board of Auditors' Meetings
Eleonora Briolini	Chairman of the Board of Auditors	29 April 2016	83%
Diana Rizzo	Statutory Auditor	29 April 2016	92%
Domenico Sardano	Statutory Auditor	17 October 2017	83%
Andreas Angelillis	Alternate Auditor	29 April 2016	-
Filomena Napolitano	Alternate Auditor	29 April 2016	-

The personal and professional history of each Auditor is briefly set out below, in accordance with Article 144-*decies* of the Issuers' Regulations.

**Eleonora Briolini.** Graduate in Economics and Commerce and registered in the Certified Public Accountants Register of Milan since 2002. From 1998 to 2011 she has been part of the Rax and Company Office in partnership with Deloitte and Touche S.p.A. where she dealt with

tax consultancy both national and international. She was in charge of the tax department in *Studio Legale Associato Bird & Bird* of Milan and currently has the same role in BDO Italia.

**Diana Rizzo.** Graduate in Economics and Commerce at the University of Modena, she has been practicing as Chartered Accountant since 1983, specialising in the economic, business, and corporate tax fields. She acted as Official Auditor and at present she works as Auditor enrolled in the relevant Register - in which she has been registered since its creation - and as Auditor for Local Public Authorities. Since over 35 years, she has collaborating with the Courts of Modena and Bologna as expert witness in civil and criminal matters and as expert evaluator, and she also acts as receiver and judicial commissioner. He holds the office as statutory auditor in industrial companies and financial companies.

**Domenico Sardano.** Graduate in Economics and Commerce at the University of Genova, he worked from 1996 to 1997 as an auditor with the auditing firm of PriceWaterhouseCoopers. Since 1997 he performs his professional activity with the accounting firm Studio Sardano in Genova and in 2000 he became a Chartered Accountant, registering with the Board of Chartered Accountants of Genova. Mr. Sardano acts as Bankruptcy Trustee, Judicial Commissioner and Judicial Liquidator in various insolvency proceedings and often acts as Court-appointed Technical Expert for the Court of Genova. He has also worked with a number of private equity funds. In particular, since 2002 he has developed his professional activity also in the field of structuring private equity and venture capital transactions both by collaborating with some private equity funds, including foreign ones, and by intervening in corporate transactions in the design and/or structuring of private equity and venture capital transactions and more generally of M&A. From 2013 to 2016 he held office as a member of the Council of the Board of Chartered Accountants of Genova. Moreover, Mr. Sardano currently holds office of Statutory Auditor in several industrial companies.

**Andrea Angelillis.** Graduated in Law at the Luiss University in Rome, he continued his studies at the *Université Libre de Bruxelles* and the University LIUC, where he attended a master's degree in economics and business law. From 2003 to 2007 he attended a research doctorate in corporate law at the Bocconi University in Milan. From 2001 to 2003 he worked for a law firm in Treviso. From 2003 to 2008 he worked as associate at Law Firm Lombardi Molinari. Since 2008 he has worked as senior associate at *Studio Legale Associato Bird & Bird*. At present he does not hold any administration and control office in any company.

**Filomena Napolitano.** Filomena Napolitano has been on the Reggio Emilia Register of Accountants since 1998 and on the Register of Auditors since 1999. She has performed institutional assignments for the Court of Reggio Emilia as a Receiver in Bankruptcy. She is an Auditor in some industrial and commercial companies.

From the close of the financial year there have been no changes in the membership of the Board of Statutory Auditors.

As to diversity policies pursuant to Article 123-*bis*, paragraph 2(*d-bis*) of the Consolidated Finance Act, on 14 March 2019 – also considering that the term of office of the members of the Board of Statutory Auditors is set to expiry upon approval of the financial statements as at 31 December 2018 – the Board of Directors of the Company has approved a diversity policy applicable to the Board of Statutory Auditors, which includes the following principles:

- each member must meet the requirements of good character and professionalism under Decree of the Ministry of Justice no. 162 of 30 March 2000, and Article 148(4) of the

Consolidated Finance Act, as well as the independence requirements under Article 148(3) of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code, recalled by Article 8 of the same Self-Regulatory Code and must not hold office as a member of the supervisory body in more than five listed issuers or widely-held issuers, or hold office as a member of a management or supervisory body in joint stock companies, general partnerships or limited liability companies beyond the maximum limit, equal to six points calculated in accordance with the provisions of Schedule 5-bis, Table 1, of the Issuers' Regulations;

- each member must not have any of the reasons for ineligibility, incompatibility or expiry, under Article 22 of the Company by-laws and the applicable provisions of law, including Article 17(5) of Legislative Decree no. 39 of 27 January 2010 on legal audit;
- gender diversity within the Board of the Statutory Auditors must be consistent with the applicable regulations and therefore must ensure that at least one third of the members are members of the less represented gender;
- to ensure a plurality of approaches and views, as well as an adequate degree of efficiency when analyzing the items and subject matters on the agenda, the members should have an adequate degree of diversity and heterogeneity in terms of age, skills and experience, and the presence of professionals who are sufficiently familiar with the peculiar issues affecting listed companies and international groups as well as of professionals who have a strong connection to the industrial sector in which the Company operates should be favoured to the extent possible.

The table below shows the administrative and auditing positions held in listed and unlisted companies by members of the Company's Board of Auditors as of 31 December 2018 (for additional information, see table 3, attached to this Report).

Full name	Company for which the external work is carried out	Title
<b>Eleonora Briolini</b>	Tekfor S.p.A.	Statutory Auditor
	Vi.Be.Mac. S.p.A.	Statutory Auditor
	Finver S.p.A.	Chairman of the Board of Auditors
<b>Diana Rizzo</b>	Unicom S.r.l.	Chairman of Board of Statutory Auditors
	Autin S.p.A.	Alternate Auditor
	BPER Banca S.p.A.	Statutory Auditor
	Fin Twin S.p.A.	Alternate Auditor
	Finfloor S.p.A.	Alternate Auditor
	Florim Ceramiche S.p.A. with sole shareholder	Alternate Auditor
	Caolino Panciera S.p.A.	Statutory Auditor
	Kerakoll S.p.A.	Chairman of Board of Statutory Auditors
	Ceramiche Speranza S.p.A.	Statutory Auditor
	Kronos 2 Ceramiche S.p.A.	Statutory Auditor
	Sitma Machinery S.p.A.	Chairman of Board of Statutory Auditors
	Sitma S.p.A.	Chairman of Board of Statutory Auditors
	PLT Wind S.p.A.	Statutory Auditor
Finferel S.p.A.	Chairman of Board of Statutory Auditors	
<b>Domenico Sardano</b>	Finoil S.p.A.	Statutory Auditor
	Iplom S.p.A.	Statutory Auditor
	Dulevo International S.p.A.	Statutory Auditor and member of the Supervisory Board
	AVM Energia S.p.A. in liquidazione	Statutory Auditor

	Madonnina S.p.A. per l'Edilizia e l'Agricoltura	Statutory Auditor
	Safe S.p.A.	Statutory Auditor
	Safe & Cec S.r.l.	Statutory Auditor
	Lovato Gas S.p.A.	Statutory Auditor
<b>Filomena Napolitano</b>	T.I.E. S.p.A.	Statutory Auditor
	Girefin S.p.A.	Statutory Auditor
	I Tulipani S.r.l.	Sole Auditor and member of the Supervisory Board
	Lovato Gas S.p.A.	Statutory Auditor
	Medo S.r.l.	Bankruptcy Trustee
	I Ciclamini S.r.l.	Member of the Supervisory Board
	I Girasoli S.r.l.	Member of the Supervisory Board
	Welfare Italia S.p.A.	Member of the Supervisory Board
	Par. co. S.p.A.	Member of the Supervisory Board
	Carpenfer S.p.A.	Statutory Auditor
	Cooperativa sociale Il Bettolino	Chairman of the Board of Auditors

Twelve meetings of the Board of Statutory Auditors were held during the Period, lasting in average 148 minutes each. At least six meetings of the Board of Auditors are planned for the current year, of which one was already held on 11 March 2019. Percentages of attendance of individual Statutory Auditors are reported on the table at the end of the Report.

In order to maintain an adequate knowledge of the segment in which the Company is active, periodically and at any time as necessary, the auditors receive information and updates on the segment in which the Issuer operates, on proper risk management criteria and on reference legislation, including through documents prepared by the Company.

The Chairman of the Board of Directors, also through the internal functions of the Company, ensures that the statutory auditors are able to participate to initiatives to allow them to acquire adequate knowledge of the sector in which the Company operates, of the company's dynamics and their evolution, and of the legislative and self-regulatory applicable frameworks.

On being appointed, the members of the Board of Auditors declared, on their own responsibility, that they satisfied the independence criteria laid down in applicable laws and regulations.

The Board of Statutory Auditors, both during the Period and at the first meeting after the appointment of the Board of Statutory Auditors, verified continuing compliance of its members with independence requirements, in line with the criteria set out in the Self-Regulatory Code, and submitted the results of its assessment to the Board of Directors.

The remuneration of Auditors is commensurate to the requisite commitment, the relevance of their function and the Company's characteristics in terms of size and business segment.

Under paragraph 8.C.4 of the Self-Regulatory Code, Auditors that have an interest, either on their own account or on behalf of third parties, in a certain transaction to be carried out by the Issuer must give the other Auditors and the Chairman of the Board of Directors prompt and full information regarding the nature, the terms, the origin and the scope of their interest.

The Board of Auditors satisfied itself concerning the independence of the auditing firm, verifying both compliance with the regulatory provisions governing the matter and the nature and extent

of the services other than accounts audit provided to the Issuer and its subsidiaries by the auditing firm and the offices belonging to its network.

In carrying out its business, the Board of Auditors cooperated with the Audit and Risk Committee, the Supervisory Body and the head of the internal audit.

## **15. RELATIONS WITH SHAREHOLDERS**

The Issuer has set up a special section called "Investors" in its website, easily identifiable and accessible, which provides the information regarding the Issuer that is of importance to its Shareholders in order to enable them to exercise their rights knowledgeably.

Mr Paolo Cilloni (Chief Financial Officer of the Group) has been made responsible for the management of relations with Shareholders, acting as Investor Relations Manager.

In view of the Issuer's organisational structure, it was decided not to set up a separate Company office for the management of relations with Shareholders.

## **16. SHAREHOLDERS' MEETINGS (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2(C) OF THE CONSOLIDATED FINANCE ACT)**

With regard to Shareholders' participation in Shareholders' Meetings, Article 11 of the Issuer's articles of association states: "*Shareholders with voting rights may take part in Shareholders' Meetings if an attestation confirming their right to participate is provided in accordance with the terms and conditions set out the laws and regulations from time to time applicable. Each person entitled to vote may be represented at Shareholders' Meetings by third parties by issuing a written proxy in conformity to and within the limits laid down by law. Notice of the proxy can be given to the company electronically, via certified e-mail sent to the company e-mail address set out in the notice calling the shareholders' meeting. The company does not designate a representative to whom to confer proxies from the shareholders*".

The Company has decided not to adopt rules for Shareholders' Meetings since it considers that the powers vested by the articles of association in the Chairman of the Meeting, who is responsible for directing the proceedings, including the determination of the order and system of voting, enable the Chairman to ensure that the Meeting takes place in an orderly manner, moreover averting the risks and problems that could arise from a failure on the part of the Meeting to comply with regulatory provisions.

The Board of Directors calls an Ordinary Shareholders' Meeting at least once a year within 120 days after the end of the financial period, or within 180 days if the conditions required under the law are met.

The governing body also calls a Shareholders' Meeting with a single call, either Ordinary or Extraordinary, whenever it deems it appropriate to do so or as required by law, or at the request of at least two members of the Board of Statutory Auditors in accordance with the provisions of current legislation.

Shareholders' Meetings are called by means of a notice specifying the day, hour and venue of the meeting, a list of the items on the agenda, and the other information as required under the applicable law and regulations. The Meeting notice must be published, within the times laid



down by the provisions of the applicable legislation, on the website of the Company and as may otherwise be required by the laws and regulations applicable from time to time.

Shareholders that, even jointly, represent at least one-fortieth of the share capital may request items to be added to the agenda, specifying in their request the additional subjects that they propose, or submit proposals on subjects already reflected in the items on the agenda, to the extent permitted, and at the terms and conditions, under the law. Persons entitled to vote may individually submit proposals to be resolved upon by the Shareholders' Meeting.

Requests to add items to the agenda as per the paragraph above, however, are not allowed with regard to matters on which the Shareholders' Meeting, by law, deliberates at the request of the Company Directors or on the basis of a project or report prepared by same, different than the report on the items on the agenda.

Within the terms set forth in the notice of a meeting, those entitled to vote can submit questions relating to the items on the agenda by certified electronic mail, using the specific company address set out for this purpose in the notice calling the Shareholders' Meeting.

The Company is not required to provide an answer if the relevant information is on the company website in a "question and answer format", or if it is so necessary to safeguard confidentiality and the interests of the company.

Both Ordinary and Extraordinary Shareholders' Meetings are at a single convening and are constituted and adopt valid resolutions by the statutory majorities.

The Chairman of the Shareholders' Meeting will ensure that each shareholder has the right to take the floor in relation to the items being discussed by coordinating speakers and managing the evolution of the meeting.

During the Shareholders' meeting, the Board of Directors reported on activities carried out and planned for the future, and took all the necessary steps to ensure that Shareholders were duly provided with the information required in order that they might knowingly take the decisions they were entitled to take. During the Period, five Directors took part in the Shareholders' Meeting.

During the course of the Period there were no significant variations in the composition of the Issuer's shareholding structure; the Board of Directors therefore deemed it unnecessary to consider proposing to the Shareholders' Meeting any amendments to the articles of association regarding the percentages established for the exercise of actions and of the prerogatives safeguarding minority shareholders' interests.

## **17. FURTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, SUBSECTION 2(A) OF THE CONSOLIDATED FINANCE ACT)**

The Issuer has decided not to apply any practice for its corporate governance other than those described in the paragraphs above, and set forth as specific obligations by provisions of laws and/or regulations.

## **18. CHANGES SINCE THE CLOSING OF THE REFERENCE PERIOD**

No changes to the structure of corporate governance of the Company have been made since the closing of the Period.

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

The recommendations set out in the letter sent on 21 December 2018 by the President of the Corporate Governance Committee were submitted to the attention of the Board of Directors on 14 March 2019 and of the Board of Statutory Auditors on 11 March 2019, as well as to the attention of the Audit and Risk Committee and the Remuneration Committee, for those matters for which each is respectively responsible.

In relation to the first area of improvement identified in the letter and relating to the information being made available before meetings, the Board of Directors found that the documents and information necessary to discuss and vote on the items on the agenda for the meetings of the Board of Directors are provided in due time before the date of the meetings (also taking into account the possible need for urgency in relation to certain matters). In this respect, it is to be noted that pre-board information has been made easier by the adoption of an IT platform, access to which is reserved exclusively to members of the Board of Directors and the Board of Statutory Auditors. The Board of Directors therefore found that the procedures currently adopted are suitable to ensure that pre-board information is duly complete and easy to use, as can be inferred also by the result of the self-evaluation questionnaire completed by the Directors.

In relation to the second area of improvement identified in the above letter, it shall be noted that the Board of Directors and the Board of Statutory Auditors assess whether the independent Directors meet the independence requirements at the earliest opportunity after their appointment, and subsequently assess, the continued existence of the independence requirements at least once a year. For the purposes of assessing independence, the Company has not disappplied any of the criteria provided for in the Self-Regulatory Code.

In relation to the third area of improvement identified in the letter, relating to the board review process, as from 2018 each Director has been required to complete a questionnaire aiming to evaluating the functioning and efficiency of the Board of the Directors and of the Committees, as well as their size and composition. The observations resulting from the completion of this questionnaire were brought to the attention of the Board of Directors on 14 March 2019 by the Managing Director, called upon to supervise the board review process so as to ensure its effectiveness.

In relation to the fourth and last recommendation set out in the letter, relating to whether the remuneration policies should give greater weight to the long-term variable components, the Company believes that it already significantly weighs the long-term variable components. More precisely, also to ensure greater consistency with the pursuit of the medium/long-term interests of the Issuer, on 14 March 2019 the Board of Directors of the Company, subject to the favourable opinion of the Remuneration Committee, resolved to submit to the Shareholders' Meeting the adoption, pursuant to Article 114-*bis* of the Consolidated Finance Act, of a performance shares plan for the three-year period 2019-2021 which provides, in the event of the achievement of certain performance objectives, for the free allocation of Landi Renzo

ordinary shares under certain terms and conditions. For further details, please refer to the information document relating to the aforesaid plan drawn up pursuant to Article 84-*bis* and Annex 3A of the Issuers' Regulations, which can be consulted on the Company's website at <http://www.landirenzogroup.com/it>, Investors section.

## TABLES

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE**

### SHARE CAPITAL STRUCTURE

	No. of shares	% of share capital	Listed (specify markets)/ not listed	Rights and obligations
Ordinary shares	112,500,000	100%	Listed (MTA)	As per Civil Code and regulations
Shares with limited voting rights	-	-	-	-
Shares with no voting rights	-	-	-	-

### MAJOR HOLDINGS

Declarant	Direct shareholder	% of issued shares	% of voting capital
Landi Trust (trust regulated by Jersey law, with Stefano Landi as trustee)	Girefin S.p.A.	54.662	68.709
	Gireimm S.r.l.	4.4444	5.5866
Aerius Investment Holding AG	Aerius Investment Holding AG	8.3556	5.2514



		<b>Ownership required to present a list of candidates at the last election: 2.5%</b>				
		<b>Number of meetings held during the period</b>	BoD: 7	Audit and Risk Cmt: 6	Remun. Cmt: 4	RPT Cmt: 2
		<p><b>NOTE</b></p> <p>* This column shows whether member was elected from the majority shareholder list (M) or the minority shareholder list (m).</p> <p>** This column shows the percentage of (Board of Directors' and each committee's) meetings attended by the Director (number of attendances/number of meetings held during actual period of office of the person involved).</p> <p>*** This column shows the number of offices held as Director or Auditor by the person concerned in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance firms or large companies.</p> <p>**** This column shows with an "X" which Director is a member of this Committee.</p>				

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

BOARD OF STATUTORY AUDITORS									
Office	Members	Year of Birth	In office since	In office until	First appointed on	List (M/m) *	Independence under Self-Reg. code	** (%)	Number of other offices held***
Chairman	Eleonora Briolini	1971	Ordinary meeting of 29 April 2016	Approval of financial statements as at 31 December 2018	24/04/2013	m	x	83%	3
Statutory Auditor	Diana Rizzo	1959			29/04/2016	M	x	92%	14
Statutory Auditor	Domenico Sardano	1970	17 October 2017		17/10/2017	M	x	83%	8
Alternate Auditor	Filomena Napolitano	1970	Ordinary meeting of 29 April 2016		29/04/2016	M	x	N/A	11
Alternate Auditor	Andrea Angelillis	1977			16/05/2007	Mm	x	N/A	0
AUDITORS WHO CEASED OFFICE DURING REFERENCE PERIOD									
Statutory Auditor									
		Ownership required to present a list of candidates at the last election: 2.5%							
		Number of meetings held during the period: 12							
		<p><b>NOTE</b></p> <p>* This column shows whether member was elected from the majority shareholder list (M) or the minority shareholder list (m).</p> <p>** This column shows the percentage of Board of Statutory Auditors' meetings attended by the Auditor (number of attendances/number of meetings held during actual period of office of the person involved).</p> <p>*** This column shows the number of offices held as Director or Auditor by the person concerned bearing relevance for the purpose of Art. 148-bis of consolidated finance act.</p>							