



## **CORPORATE GOVERNANCE REPORT 2018**

pursuant artt.123-bis, D. Lgs. n. 58/98

Issuer: TISCALI S.P.A.

Web site: [www.tiscali.com](http://www.tiscali.com)

Business year: 2018

Date of approval of the report: 29.3.2019

## Corporate Governance Report and Ownership Structure

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### 1.1 Introduction

As per Article No. 123-*bis* of the Legislative Decree No. 58/1998, as implemented by Article 89-bis of the Issuers Regulations adopted by CONSOB with resolution No. 11971 dated May 14, 1999, listed companies are required to prepare a report, on an annual basis, providing information on their *Corporate Governance* system and adherence to the Code's Recommendations (as defined below). This report shall be made available to the Shareholders at least 21 days before the Meeting for the approval of financial statements for the year and shall be published in the "*Investor Relations*" section of the Company's website, at [www.tiscali.com](http://www.tiscali.com).

The Board of Directors of Tiscali S.p.A. ("**Tiscali**" or the "**Company**"), in compliance with the prescribed obligation and with the intention of providing extensive corporate disclosure to Shareholders and investors, has prepared this report (the "**Report**"), in compliance with the guidelines published by Borsa Italiana S.p.A. and in view of information provided by Assonime.

Therefore, the Report consists of two parts. The first part fully illustrates the corporate governance model adopted by Tiscali and describes the corporate bodies and the shareholders, and other information referred to in the aforementioned Art. No. 123-*bis* of the Legislative Decree No. 58/98. The second part instead provides detailed disclosure regarding the compliance with the Code's recommendations through a comparison between the choices made by the Company and said recommendations of the Code. On March 29th 2019, the Board of Directors evaluated, as per the Code, the size, composition and operation of the Board and its Committees considering them adequate to the managerial and organizational needs of the Company. The Board took into account the professional qualifications, experience and managerial skills of its members and examined the practical operation of the corporate bodies during FY 2018. At the date of this Report, only the CEO holds executive powers, and three non-executive directors are also independent. In its evaluation, the Board took into account the positions held by the Directors in other companies, and the real commitment of the Directors in the Company's operations.

### 1.2 Corporate Governance Structure

#### 1.2.1 General Principles

"*Corporate Governance*" means the overall processes to manage the business with the objective of creating, preserving and increasing value, over time, for Shareholders and investors. These processes must ensure the achievement of corporate goals, maintaining responsible corporate behavior, transparency and accountability to the Shareholders and the investors. These processes must guarantee the achievement of the company's objectives, the maintenance of socially responsible behavior, transparency and accountability towards Shareholders and investors.

In order to ensure the transparency of management operations, the full disclosure to the market and the protection of relevant corporate interests, the corporate governance system adopted by Tiscali fully draws on the recommendations of the Corporate Governance Code (the "**Code**") Approved by the Committee for *Corporate Governance* in March 2006, as last updated in July 2018 and available at the following address:

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

The Company adopts practices and principles of conduct, formalized in procedures and codes, in line with the indications of Borsa Italiana S.p.A., the recommendations of CONSOB and with the *best practices* in place at national and international level; furthermore, Tiscali is equipped with an adequate organizational structure to manage, with correct methods, business risks and potential conflicts of interest that might arise between Directors and Shareholders, between majority and minority interests and between the different stakeholders.

### 1.2.2 Model Adopted

In relation to the management and control system, the Company has adopted the traditional model, which requires the presence of the Board of Directors and the Board of Statutory Auditors. The Company thinks that this system provides a clear division of roles and responsibilities of governing bodies, and an effective management of the Company.

### 1.2.3 Corporate Bodies and Auditing Company

The governing bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

#### Board of Directors

On 30 April 2015, the Shareholders' Meeting appointed the Board of Directors in office until approval of the financial statements at December 31, 2017. Subsequently, following the resignation in December 2015 by all the Statutory Auditors, the Shareholders' Meeting held on 16 February 2016 appointed a new Board of Directors. The composition and activities of the Board from 1 January to 26 June 2018 are as follows:

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Control and Risk Committee - role (**)	Committee for Nominations and Remunerations - role (**)	Committee for Transactions with Related Parties - role (***)	Committee for investments (**)	Committee for extraordinary finance operations (**)
Renato Soru**	1957	Director	February 16, 2016	Non-Executive	26 June 2018	9 June 1997	-	4/5				M	M
Riccardo Ruggi	1960	CEO	February 16,	Executive	26 June 2018	16 February	-	5/5					

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Control and Risk Committee - role (**)	Committee for Nominations and Remunerations - role (**)	Committee for Transactions with Related Parties - role (***)	Committee for investments (**)	Committee for extraordinary finance operations (**)
ero			2016			2016						P	P
Alexander Okun****	1952	Chairman	February 16, 2016	Non-Executive	26 June 2018	16 February 2016	-	5/5				M	M
Paola De Martini	1962	Independent Director	February 16, 2016	Non-Executive and Independent TUF	26 June 2018	16 February 2016	-	5/5	M	P	P		
Anna Belova	1961	Independent Director	February 16, 2016	Non-Executive and Independent TUF	26 June 2018	16 February 2016	2	5/5	P	M	M		
Francisco Grimaldi	1955	Independent Director	February 16, 2016	Non-Executive and Independent TUF	26 June 2018	21 December 2009	-	5/5	M	M	M		
Alice Soru	1980	Director	February 16, 2016	Non-Executive	26 June 2018	16 February 2016	-	5/5					
Sergey Sukhanov	1977	Director	February 24, 2017	Non-Executive	26 June 2018	24 February 2017	1	5/5					
Dmitry Gavriili	1974	Director	February	Non-Executive	26 June 2018	24 Febr		5/5					

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Control and Risk Committee - role (**)	Committee for Nominations and Remunerations - role (**)	Committee for Transactions with Related Parties - role (***)	Committee for investments (**)	Committee for extraordinary finance operations (**)
n			24, 2017			uary 2017	-						

(\*) The position may not have been covered on an ongoing basis from the date of first appointment

(\*\*) This column shows the attendance of directors at meetings of the Committees and qualifications of the Member within the Committee: "P": Chairperson; "M": member.

(\*\*\*) Appointments as directors or statutory auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

(\*\*\*\*) Appointed as Chairman by the Board held on 16 February 2016; resigned from office of Chairman on 12 May 2016

(\*\*\*\*\*) Vice Chairman from 16 February 2016 to 12 May 2016 – Chairman since 12 May 2016

It should be noted that the Board in office until 26 June 2018 was elected on the basis of the single list presented jointly by Renato Soru, Aria Telecom Holding BV and the Otkritie Disciplined Equity Fund to the Shareholders' Meeting held on February 16, 2016.

On 26 June 2018, the Shareholders' Meeting appointed the Board of Directors which will remain in office until the approval of the financial statements as at 31 December 2020. The composition and activities of the Board from the date of appointment and up to the date of this report are shown below:

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Nominations and Remunerations - role (**)	Committee for Transactions with Related Parties - role (***)
Alexander Okun	1952	Chairman	26 June 2018	Non-Executive	Approval of the financial statements as at 31 December 2020	16 February 2016	-	17/18			

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Nominations and Remunerations - role (**)	Committee for Transactions with Related Parties - role (***)
Alex Kossuta	1969	CEO	26 June 2018		of the financial statements, as at 31 December 2020	26 June 2019	-	18/18			
Renato Soru	1957	Director	26 June 2018	Non-Executive	of the financial statements, as at 31 December 2020	9 June 1997	-	12/18			
Paola De Martini	1962	Independent Director	26 June 2018	Non-Executive and Independent TUF	of the financial statements, as at 31 December 2020	16 February 2016	1	15/18	M	P	P
Anna Belova	1961	Independent Director	26 June 2018	Non-Executive and Independent TUF	of the financial statements, as at 31 December 2020	16 February 2016	2	17/18	P	M	M
Oleg Anikin	1969	Director	26 June 2018	Non-Executive	of the financial statements, as at 31	26 June 2019	-	16/18	M		

Member	Year of birth,	Office	Date of appointment for this term	Executive - Non-Executive - Independent	Date of expiration for this term	Date of first appointment (*)	Other positions held (***)	Participation Meetings BoA	Audit and Risk Committee - role (**)	Committee for Nominations and Remunerations - role (**)	Committee for Transactions with Related Parties - role (***)
					December 2020						
Alina Sychova	1977	Director	26 June 2018	Non-Executive	of the financial statements, as at 31 December 2020	26 June 2019	-	18/18		M	

(\*) The position may not have been covered on an ongoing basis from the date of first appointment

(\*\*) This column shows the attendance of directors at meetings of the Committees and qualifications of the Member within the Committee: "P": Chairperson; "M": member.

(\*\*\*) Appointments as directors or statutory auditors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies.

It should be noted that the Board currently in office was elected on the basis of three lists presented by Renato Soru (minority list), Sova Capital Limited and ICT Holding Limited.

#### Board of Auditors

On 30 April 2015, the Shareholders' Meeting elected the Board of Auditors in office until approval of the financial statements as of December 31, 2017. Subsequently, following the resignation in December 2015 by all the Statutory Auditors, the Shareholders' Meeting held on 16 February 2016 appointed a new Board of Auditors. The composition and activities of the Board from 1 January to 26 June 2018 are as follows:

Regular auditor	Date of birth	Office	Date of appointment for this mandate	Date of first appointment: (*)	Independence Code	Participation to the Board meetings from 2.16.2016 to the date of this report	No. of positions held in issuers
Paolo Tamponi	24/JUL/1962	Chairman	February 16, 2016	December 21, 2009	Yes	8/8	-
Emilio	18/JUL/1957	Statutory	February 16,	February 16,	Yes	8/8	-

Regular auditor	Date of birth	Office	Date of appointment for this mandate	Date of first appointment: (*)	Independence Code	Participation to the Board meetings from 2.16.2016 to the date of this report	No. of positions held in issuers
Abruzzese		Auditor	2016	2016			
Valeria Calabi	22/AUG/1966	Statutory Auditor	February 16, 2016	February 16, 2016	Yes	8/8	-
Federica Solazzi Badioli	23/DEC/0966	Substitute Auditor	February 16, 2016	February 16, 2016	Yes	-	-
Augusto Valchera	1/JUN/1966	Substitute Auditor	February 16, 2016	February 16, 2016	Yes	-	-

(\*) The position may not have been covered on an ongoing basis from the date of first appointment

The Shareholders' Meeting held on 26 June 2018 appointed a new Board of Statutory Auditors. The composition and activities of the Board from 26 June 2018 to the date of this report are as follows:

Regular auditor	Date of birth	Office	Date of appointment for this mandate	Date of first appointment: (*)	Independence Code	Participation to the Board meetings from 26 June 2018 to the date of this report	No. of positions held in issuers
Barbara Tadolini	20/03/1960	Chairman	26 June 2018	26 June 2018	Yes	7/7	-
Emilio Abruzzese	18/07/1957	Statutory Auditor	26 June 2018	16 February 2016	Yes	7/7	-
Valeria Calabi	22/08/1966	Statutory Auditor	26 June 2018	16 February 2016	Yes	7/7	-
Lorenzo Arienti	07/11/1981	Substitute Auditor	26 June 2018	26 June 2018	Yes	-	-
Pietro Braccini	16/07/1976	Substitute Auditor	26 June 2018	26 June 2018	Yes	-	-

(\*) The position may not have been covered on an ongoing basis from the date of first appointment

It should be noted that the Board currently in office was elected on the basis of two lists presented by Sova



Capital Limited and ICT Holding Limited.

#### The Officer in Charge of Preparing the Company's Accounting Documents

As established by Article 14 of the Company's Articles of Association and in compliance with the provisions of Law No. 262/2005, dated April 30, 2015, the Board of Directors appointed as Officer in charge of preparing the Company's accounting documents Mr. Daniele Renna, manager of the Company in possession of the necessary qualifications and proven experience in the accounting and finance field. The position of Mr. Renna was renewed by the Board of Directors on 26 June 2018, and will expire with renewal of the Board of Directors subsequent to the approval of the 2020 financial statements.

#### Auditing Company

The appointment to perform the audit was awarded to the company Deloitte & Touche S.p.A. by the Board of Directors held on May 30, 2017. This appointment will expire with the approval of the 2025 financial statements by the Shareholders' Meeting.

#### Committees

In the meeting of the Board of Directors dated February 16, 2016, the following internal committees were established:

- *Control and Risk Committee*, composed of Anna Belova (Chairman), Paola De Martini and Franco Grimaldi;
- *Appointment and Remuneration Committee*, composed of Paola De Martini (Chairman), Konstantin Yanakov, Nikolay Katorzhnov, Anna Belova and Franco Grimaldi;
- *Transactions with Related Parties Committee*, composed of Paola De Martini (Chairman), Anna Belova and Franco Grimaldi;
- *Investments Committee*, composed of Riccardo Ruggiero (Chairman), Renato Soru, Alexander Okun and Nikolay Katorzhnov;
- *Extraordinary Financing Transactions Committee*, composed of Riccardo Ruggiero (Chairman), Renato Soru, Alexander Okun, Nikolay Katorzhnov And Anna Belova.

Following the resignations of Konstantin Yanakov and Nikolay Katorzhnov dated February 2017, these members have been replaced by Sergey Sukhanov and Dmitry Gavrilin.

The Committees, expired in June 2018 with the approval of the financial statements as at 31 December 2017, have been renewed as follows:

- *Appointment and Remuneration Committee*, composed of Paola De Martini (Chairman), Anna Belova, Alina Sychova, on 26 June 2018;
- *Control and Risk Committee*, composed of Anna Belova (Chairman), Paola De Martini e Oleg Anikin, on 10 September 2018;
- *Transactions with Related Parties Committee*, composed of Paola De Martini (Chairman) and Anna Belova, on 10 September 2018.

### Supervisory Body (SB)

During the board meeting of April 30, 2015, the new Supervisory Body was appointed, composed of Attorney Maurizio Piras, external member acting as Chairperson, Angelo Argento, external member, and Carlo Mannoni, Head of the corporate function Regulatory Affairs; following the resignation of Mr. Mannoni, he was replaced in September 2015 by Paolo Sottili, head of the HR department of the Company. Following the resignation of Mr. Sottili, the meeting of the Board held on November 29, 2016, Daniele Renna was appointed as member of the Supervisory Body. Following his appointment as Officer in Charge, Mr. Renna resigned from his office as member of the Supervisory Body in June 2017. In the meeting of the Board held on September 20, 2017, with favourable opinion of Appointment and Remuneration Committee, Francesca Marino has been appointed as member of the Supervisory Body. The Supervisory Body will remain in office until approval of the financial statements as of December 31, 2017 and will also carry out its supervisory functions on the subsidiaries Tiscali Italia S.p.A. and Vevisible Srl.

On 20 July 2018 the Board of Directors, with the favorable opinion of the Nominations and Remuneration Committee, appointed the new Supervisory Body, which will remain in office until the approval of the financial statements as at 31 December 2020, made up of Maurizio Piras (Chairman), Francesca Marino and Maria Sardelli.

### Director in charge of the internal control risk and risk management

In line with the recommendations of the Self-Governance Code, the meeting of the Board of directors held on 26 June 2018 appointed Alex Kossuta as Director in charge of the internal control risk and risk management (hereinafter referred to also as "Director in Charge"), in continuity with the previous appointment in which this office was entrusted to the CEO.

### Secretary of the Board of Directors

On 26 June 2018, the Board of Directors appointed Paola De Martini as *corporate secretary*, with the task of assisting the Board in the preparation of Board and Shareholders' meetings and drafting of their related resolutions, supervising and ensuring the adequacy, completeness and clarity of information flows addressed to the Board and the corporate bodies.

## **1.2.4 Shareholding**

At the date of this report, the share capital subscribed and paid amounts to EUR 43,065,376.20, divided into 3,981,880,763 ordinary shares with no par value, listed at the MTA market segment, freely transferable in accordance with law without there being any securities that confer special control rights.

<b>OTHER FINANCIAL INSTRUMENTS</b> <b>(attributing the right to subscribe newly issued shares)</b>				
	Listed / not listed	N° of circulating instruments	Category of shares serving the conversion / exercise	Number of shares serving the conversion / exercise

Convertible loan	not listed	106 convertible bonds Tiscali conv 2019-2020*	Ordinary	Up to maximum 1.300.000.000
Warrant	-	-	-	-

\* for further information, see the documentation relating to the Tiscali Conv convertible bond, 2016-2020, available on the company website

#### Share-based incentive plans

The Shareholders' Meeting held on February 16, 2016, approved the 2015-2019 Stock Option Plan (hereinafter referred to as 2015-2019 Plan) intended for Renato Soru as Chairman of the Board of Directors, and the related authorization for the Board to increase the share capital for a maximum amount of EUR 16,371,192.25 to cover for the above Plan. The authorization concerns the issue of up to 251,622,551 ordinary shares, to cover a maximum of 251,622,551 stock options to be reserved to the beneficiary of the Plan. For more information, please refer to the Information Document on the 2015-2019 Stock Option Plan issued by Tiscali S.p.A., prepared by the Board of Directors pursuant to Article No. 84-bis of the Issuer Regulations, available on the Company's website in the *Governance* section.

Subsequently, the Shareholders' Meeting held on June 16, 2016, approved the 2016-2021 Stock Option Plan (hereafter referred to as the 2016-2021 Plan) reserved to the CEO and the Group management and the divisible cash increase in share capital for a maximum amount of EUR 25,193,708 to be allocated to the capital with exclusion of the rights option pursuant to Article No. 2441, paragraphs 5 and 6, of the Civil Code, by issuing up to 314,528,189 new ordinary shares of Tiscali, to cover a maximum of 314,528,189 options valid for the subscription of ordinary shares to be reserved to the CEO and the Group management as beneficiaries of the 2016-2021 Plan. The 2016-2021 Plan is described in the document pursuant to Article No. 114-bis of the Consolidated Finance Act (TUF) already prepared during the meeting approval and available in the *Governance* section of the Company website.

During 2018, in relation to the resignation of 1 Executive and of the CEO, originally beneficiaries of the plan, No. 147,828,278 options have been ceased. The total number of options established in the second Plan is therefore reduced to 128,170,077.00 options as of 31 December 2018.

#### Increases authorized pursuant to Art. 2443 of the Italian Civil Code

At the meeting of 31 January 2019, the Board of Directors exercised the proxy granted pursuant to Art. 2443 of the Italian Civil Code by the Shareholders' Meeting dated 26 June 2019, approving the issue of the Tiscali Conv 2019-2020 bond loan. For further information, please refer to the documentation published on the Company's website [http://investors.tiscali.it/it/azioni/prestito\\_obbligazionario.php](http://investors.tiscali.it/it/azioni/prestito_obbligazionario.php)

The following table specifies the name or the entity name of the Shareholders with voting rights holding a

stake of more than 5% that have informed the Company and CONSOB of their participation. There are no restrictions on voting rights or the transfer of securities.

<b>Shareholder</b>	<b>Percentage of the ordinary share capital and voting shares</b>	<b>Shares owned</b>
<b>Investment Construction Technology (ICT) Group Ltd</b>	<b>23.523%</b>	<b>936,667,194</b>
Of which Powerboom Investments Limited	<b>23.523</b>	
<b>Otkritie Disciplined Equity Fund</b>	<b>13.423%</b>	<b>534,499,236</b>
<b>LLC "Concern "ROSSIUM" (by Sova Capital Ltd)</b>	<b>7.094%</b>	<b>282,485,876</b>
<b>SOVA Disciplined Equity Fund SPC (SDEF)</b>	<b>4.997%</b>	<b>199,001,504</b>
<b>Renato Soru</b>	<b>7.94%</b>	<b>316,050,508</b>
Of which Cuccureddus	0.83%	
Of which Monteverdi	0.44%	
Of which direct Soru	6.44%	

The remaining 57.45% of the share capital is distributed by the market.

There are no statutory restrictions on voting rights or the transfer of securities, such as limitations on ownership of securities or acceptance clauses. In addition, there are no special systems for exercising voting rights in case of employee share ownership, which exercise their right in accordance with the provisions of the Company's Articles of Association.

#### Shareholders' Agreements

As of the date of this report, the Company is not aware of any Shareholders' Agreements in place.

### **1.3 Report on compliance with the recommendations contained in the Corporate Governance Code**

#### **1.3.1 Board of Directors**

##### Role

The Board of Directors plays a prominent role in the life of the Company, since it is the body entrusted with management of the company, as well as the task of strategic and organizational guidelines and as such is

responsible for identifying the Company objectives and the achievement thereof.

This body has, pursuant to Article No. 14 (Powers of the Administrative Body) of the Company's Articles of Association in force, all the powers of ordinary and extraordinary administration. The Board of Directors reviews and approves the strategic, industrial and financial plans of the Company and the Group owning it; it reports quarterly to the Board of Auditors on the activities carried out and the most significant economic, financial and equity transactions carried out by the Company or its subsidiaries, according to Article No. 150 of the TUF and in compliance with the procedure approved by the Board of Directors on April 28, 2017. The functions and powers exercised by the Company's Board of Directors, also in its function of strategic guidance, supervision and control of corporate activities, as provided for in the Company's Articles of Association and implemented in operational practice, are substantially in line with the provisions of the principles and application criteria of Article No. 1 of the Code.

### Composition

Pursuant to Article 10 (Directors of the Company) of the Articles of Association, the Board of Directors should be composed of nine members; however, the gender balance is guaranteed in accordance with the current legislation. The Board of Directors has established the following committees: Control and Risk Committee, Nomination and Remuneration Committee, Related Parties Transactions Committee, Investment Committee and Extraordinary Finance Operations Committee.

### Chairman of the Board of Directors

The Articles of Association establishes that the Chairman of the Board of Directors shall convene the Board, presiding over and coordinating its activities. At the Board of Directors meetings, the Chairman shall ensure that the Directors are provided, with reasonable advance, the documentation required to allow the Board to discuss the matters under examination. The Chairman of the Board of Directors is Alexander Okun.

### Chief Executive Officer

The Articles of Association also stipulate that the Board of Directors may, within the limits of law, nominate one or more Chief Executive Officers, determining its powers within the scope of its duties and within the limits of the law. The Board of Directors has conferred executive powers on the Chief Executive Officer. As a general rule, the powers of the Chief Executive Officer can be exercised up to a maximum value of EUR 10 million.

The delegated bodies report, at meetings of the Board of Directors and in other occasions to the other Board Members and the Board of Statutory Auditors, the transactions of most relevant economic, financial and capital impact made by the Company or its subsidiaries. In addition, they provide adequate and continuous information to the Board of Directors in relation to atypical or unusual transactions which approval is not reserved to said Board, as well as on the most significant activities carried out in the context of the powers and duties conferred. It is common procedure, except in cases of necessity and urgency, that these activities are submitted in advance to the Board of Directors so that the same may decide upon them in a knowledgeable and thoughtful manner.



present	8/9	9/9	9/9	9/9	9/9	7/7	7/7	7/7	
Percentage	89%	100%	100%	100%	100%	100%	100%	100%	
Auditors present	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	
Percentage	100%	100%	100%	100%	100%	100%	100%	100%	
<b>Meetings 2018</b>	20/7	30/7	10/9	21/9	9/11	12/11	22/11	6/12	20/12
Directors present	7/7	6/7	5/7	7/7	7/7	6/7	7/7	7/7	7/7
Percentage	100%	86%	71%	100%	100%	86%	100%	100%	100%
Auditors present	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	2/3
Percentage	100%	100%	100%	100%	100%	100%	100%	100%	66%

<b>Meetings 2019</b>	23/1	31/1	5/3	19/3	27/3	29/3
Directors present	7/7	4/7	6/7	6/7	5/7	7/7
Percentage	100%	100%	86%	86%	71%	100%
Auditors present	3/3	3/3	3/3	3/3	3/3	3/3
Percentage	100%	100%	100%	100%	100%	100%

The average duration of the meetings of the Board was approximately 60 minutes.

The Board of Directors and the Board of Statutory Auditors receive draft documents in advance to be approved jointly with any information and instrumental documents to the various resolutions. These are sent by the Corporate Administrative Office, which proceeds to gather the documents from the sectors responsible and to forward them with as much notice as possible. In general, the documentation is sent jointly with the convening notice for the Board meeting, as an exception, if not yet available, some documents may be sent after the convening notice but always with sufficient advance notice regarding the meeting. It is noted that the established procedure in the case of particularly voluminous or complex documentation, is to provide support for the Board Members with an *executive summary* specifically prepared by the competent corporate departments, which summarize the most significant and relevant points of the documents placed before the Board.

On 20 December 2018, the Board of Directors approved the calendar of its Meeting for the year 2019:

- 29 March 2019 (Approval of the Annual Financial Statements draft as at 31 December 2018),
- 30 April 2019 (Annual Shareholders' Meeting),
- 30 June 2019 (Approval of the Six-Month Report as at 30 June 2018).

## Appointment of Directors

Article 11 (Board of Directors) of the Company's Articles of Association provides for the appointment of directors, a list voting system, which ensures the appointment of a number of Directors, also among those listed, who have not obtained the majority votes, and ensures transparency and fairness of the appointment procedure. The right to submit the lists is granted to Shareholders who, alone or jointly with other Shareholders, represent at least the percentage of Share capital required by applicable regulations; in particular, CONSOB with its Resolution N. 20273/2018 ruled that the shareholding required for the presentation of a list is equal to 4.5% of the share capital. The aforementioned system ensures, therefore, that even minority Shareholders have the power to submit their own lists. Any person entitled to vote may vote for one list only. The Company has adjusted the current appointment systems to Law no. 120/2011 on gender equality concerning the access to management and supervisory bodies of companies listed on regulated markets; therefore, each list has to submit a number of candidates belonging to the less represented gender at least equal to the minimum number required by law.

The election procedure of Directors is as follows:

a.1) Regardless of the number of lists submitted, subject to the restrictions provided within this statute, for the purposes of election of directors, no account shall be taken of lists that have not obtained a percentage of votes equal to at least half of that required this provision for the submission of said lists.

Elected candidates if, arranged in a single decreasing ranking on the basis of the quotients obtained, they have obtained the highest ratios, without prejudice to the appointment of the candidate listed first in the minority list, i.e. the one which obtained the highest number of votes among those regularly presented and voted and that is not connected – even indirectly – with the shareholders who presented or voted for the list with the highest number of votes.

If a person who, according to current legislation, is connected to one or more shareholders who presented or voted for the first list by number of votes, voted for a minority list, the existence of such linking relationship is relevant only if the vote was decisive for the election of the minority administrator. In any case, the applicable laws and regulations apply from time to time.

In the event of an equal quotient for the last Director to be elected, the one on the list that obtains the highest number of votes will be preferred and, with the same number of votes, the one with the oldest age.

If at the end of the voting there were not enough appointed Directors with the requisites of independence, or if the respect of gender balance was not assured, the first hypothesis would be to exclude the candidate who would have been elected with the lowest quotient and who does not meet the independence requirements and, in a second hypothesis, to exclude the candidate with the lowest quotient, whose election would result in non-compliance with gender balance. The excluded candidates will be replaced by the subsequent candidates in the ranking, the election of whom determines compliance with the provisions relating to the requirements of independence and gender balance. This procedure will be repeated until the number of Directors to be elected is completed. If, having adopted the aforementioned criterion, it was not possible to complete the number of Directors to be appointed, the appointment of the missing Directors will be immediately provided by the Assembly, with a resolution adopted by a simple majority of those present on the proposal of the shareholders present.

a.2) If only one list is presented, all the directors will be drawn, in progressive order, only from the list presented, provided that the same obtains the majority of votes.



If at the end of the voting there were not enough appointed Directors with the requisites of independence, or if the respect of gender balance was not assured, the first hypothesis would be to exclude the candidate who would have been elected with the lowest quotient and who does not meet the independence requirements and, in a second hypothesis, to exclude the candidate with the lowest quotient, whose election would result in non-compliance with gender balance. The excluded candidates will be replaced by the subsequent candidates in the ranking, the election of whom determines compliance with the provisions relating to the requirements of independence and gender balance. This procedure will be repeated until the number of Directors to be elected is completed. If, having adopted the aforementioned criterion, it was not possible to complete the number of Directors to be appointed, the appointment of the missing Directors will be immediately provided by the Assembly, with a resolution adopted by a simple majority of those present on the proposal of the shareholders present.

b) if, pursuant to the appointment procedure above, at least two members who meet the independence requisites established by the applicable legislation were elected, the last of the elect who do not meet these requirements taken from the list that obtained the most number of votes cast by shareholders after the first, and who is not connected in any way, not even indirectly, with the shareholders who presented or voted this last list will have to be replaced with the first candidate subsequently listed in that list who is in possession of such requirements and, if following such replacement a member still remains to be elected who meets the independence requirements established by applicable law, the last of those elected who do not meet these requirements from the list that obtained the highest number of votes must be replaced with the first candidate subsequently listed on that list that meets these requirements;

c) if the Board of Directors elected pursuant to the foregoing does not allow compliance with the gender balance provided for by the regulations in force, the last elected representatives of the most represented gender, of the list resulting first by number of votes expressed by shareholders, fail in the number required to ensure compliance with the requirement and are replaced by the first unelected candidates from the same list of the less represented gender. In the absence of candidates of the less represented gender on the list resulting first by the number of votes expressed by the shareholders in sufficient number to proceed with the replacement, the aforesaid criterion will apply to the successive more voted lists, from which the elected candidates have been drawn. If, applying the above criteria, it is not possible to identify suitable replacements, the Shareholders' Meeting integrates the body with the majorities required by law, ensuring the satisfaction of the requirement of gender balance provided for by the regulations in force;

d) the appointment mechanism by means of list voting above is applied only in case of full renewal of Directors; for the appointment of Directors who, for any, reason are not appointed pursuant to the aforementioned procedure, the Shareholders' Meeting resolves with the majority pursuant to the law in force, in compliance with the regulatory requirements for the representation of genders; this requirement also applies to the co-optations made by the Board itself pursuant to the applicable regulations. Pursuant to the aforementioned Article No. 11 (Board of Directors), the lists for proposal of appointment to the office of Director must be submitted to the registered headquarters at least twenty-five days before the date set for the Meeting, together with a description of the *professional curricula* of the candidates and a declaration by which each party accepts the appointment, certifying that there are no reasons for ineligibility or incompatibility, as well as certifying that the requirements of integrity and professionalism required by applicable regulations and Bylaws, substantially in line with the principles and criteria contained in Article No.

5 of the Code, are in place. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law. In the event of resolution to appoint individual members of the Board of Directors, the system of appointment by list vote, which Article No. 11 (Board of Directors) of the Articles of Association provides for solely in case of complete renewal of the Board of Directors, will not apply.

Although based on the provisions of the aforementioned Article 11 (Board of Directors) and the aforementioned considerations on the Directors' appointment system, ensures a fair system, respectful of minority interests, the Board of Directors, however, has deemed it appropriate that the Committee for Remuneration also assume functions in terms of appointments, thus becoming the Committee for Nominations and Remunerations. For more information, also with reference to the information required by Article No. 123-bis, First Paragraph, Letter (i) and the Code of Conduct, please refer to the Remuneration Report to be submitted to the Meeting convened to approve the financial statements as of December 31, 2018.

To date, the Board has decided not to adopt a plan for the succession of executive directors.

### **1.3.2 Shareholders' Meetings**

In accordance with the principles and application criteria referred to in Article No. 9 of Code, the Company encourages and facilitates the participation of Shareholders at the Shareholders' Meetings, providing, in compliance with regulations on *price sensitive* information, the information concerning the Company required by Shareholders. The Company, in order to facilitate information and participation of its own Shareholders, as well as to facilitate the obtaining of documentation that, under the terms and conditions of law, must be made available to them at the Company's registered office on the occasion of the Shareholders' Meetings, dedicated a proper section called "*Investor Relations*" of the [www.tiscali.com](http://www.tiscali.com) website, which allows access to such documentation in electronic format.

As suggested by the third policy application in Article No. 9 of the Code, the Shareholders' Meeting adopted its own Meeting Regulations, latest version dated April 29, 2011, also available on the Company's website. The Meeting Regulations were adopted with the aim of ensuring an orderly and effective performing of the meetings, define the rights and duties of all participants, and establish clear and unambiguous rules, without intending in any way to limit or restrict the right of each shareholder to express its opinions and demand explanations on the matters on the agenda. The Board of Directors thinks that the prerogatives of the minority interests should be respected when approving resolutions, because the current Articles of Association do not require majorities other than those specified by law.

In compliance with Article No. 2370 of the Civil Code and with Article No. 8 (Participation in the Meeting) of the Articles of Associations, the Shareholders from which the Company has received communication sent by the authorized intermediary as per the current regulations, certifying the ownership of shares on the so-called record date, as well as any voting proxy, may participate in the Meeting.

### 1.3.3 Board of Auditors

#### Appointment and Composition

Consistent with the first principle of Article No. 8 of the Code, concerning the appointment of the Statutory Auditors, Article No. 18 (Board of Statutory Auditors) of the Articles of Association provides a list voting system which guarantees the transparency and fairness of the appointment procedure and protects the rights of minority interests.

Only Shareholders who alone or jointly with other Shareholders can document that they hold at least the percentage of Share Capital envisaged by applicable legislation, will have the right to submit the lists. The lists must indicate five candidates listed in numerical order, starting with the one who has seniority professionally. CONSOB, with Resolution No. 20273/2018, established that the shareholding required for submission of a list for 2019 is equal to 4.5% of the share capital. Each Shareholder may submit or participate in submission of only one list and each candidate may appear on only one list subject to penalty of ineligibility. The lists of appointment proposals must be filed at the registered headquarters at least twenty-five days before the date scheduled for the Meeting, together with a description of the *professional curricula* of the candidates and a declaration in which each accepts the appointment proposal, and states that there are no reasons for ineligibility or incompatibility, as well as the existence of requirements of integrity and professionalism required by applicable legislation and the Articles of Association. No later than twenty-one days before the date scheduled for the Meeting, the lists and the accompanying documentation should be disclosed as required by law.

Each Shareholder may vote for only one list. The following are elected: a) the list that obtained the most votes, in the progressive order in which they appear in the list, two Acting Members and two Alternate Members b) the third Acting Members is the first candidate on the list obtaining the highest number of votes after the first. In compliance with Law No. 262/2005, as amended by Legislative Decree No. 303/2006, the Chairmanship of the Board of Statutory Auditors goes to the first candidate on the list that obtains the highest number of votes after the first. The Company also took steps to supplement the appointment system for the Board of Statutory Auditors in order to ensure, however, compliance with Law No. 120/2011 on so-called gender equality.

#### Requisites

Article 18 (Statutory Board of Auditors) of the Articles of Association state that at least one of the Acting Statutory Auditors, and at least one of the Alternate Auditors, should be chosen from those listed in the register of auditors who have worked on statutory audits for a period of not less than three years. Statutory Auditors failing to meet the aforementioned condition must have gained at least a total of three-year experience in specific activities in any way related to the corporate purpose and, in any event, relevant to the telecommunications sector. The aforementioned article also stipulates that parties, which are already holding offices as Acting Statutory Auditors in more than five listed companies, cannot be appointed as Statutory Auditors.

In a special section called *Investor Relations* on the website [www.tiscali.com](http://www.tiscali.com), the Company publishes the professional curricula of its Statutory Auditors, so that the Shareholders and investors may assess the professional experience and the authoritativeness of the Board of Statutory Auditors members.

## Activities

The members of the Board of Statutory Auditors operate autonomously and independently, in constant liaison with the Audit and Risk Committee, attending its meetings regularly, and with the *Internal Audit* department, in line with the principles and application criteria of Article No. 8 of the Code.

During the year under report and until the date of this report, the Board of Statutory Auditors met 16 times, at the presence of all the Statutory Auditors, and recording an average duration of the meetings of approximately 120 minutes. For FY 2019, at least 12 meetings are expected to be held.

### **1.3.4 Committees internal to the Board of Directors and other Governance bodies**

At the date of this report, the following internal Board Committees have been established: Audit and Risk Committee, Nominations and Remuneration Committee, Transactions with Related Parties Committee. The Officer in Charge of Preparing the Company's Accounting Documents, the Internal Auditing Officer and the Supervisory Body are to remain in office until approval of the financial statements as at 31 December 2020.

#### Audit and Risk Committee (reference)

For information on the Internal Audit and Risk Committee, reference may be made to the *Internal Audit* paragraph below.

#### Remuneration and Appointment Committee

Since March 2001, the Company's Board of Directors, established its own internal Remuneration Committee, as required by the third principle of Article No. 6 of the Code and relevant application criteria. The Committee in office at the date of this report, appointed at the meeting of the Board of Directors held on 26 June 2018, is composed of three Non-Executive Directors, two of whom Independent: Paola De Martini (Chairman), Anna Belova, Alina Sychova. The current Committee succeeds the previous one composed of Paola De Martini (Chairperson), Anna Belova, Franco Grimaldi, Dmitry Gavrilin and Sergey Sukhanov.

The Committee submits proposals to the Board of Directors for the remuneration of the CEO and other Directors with special duties and, in general, recommendations for the remuneration of key management personnel of the Group, assists the Board of Directors in preparing and implementing any remuneration plans based on shares or financial instruments, and assesses the adequacy and application of the Remuneration Policy. In addition, the Committee makes proposals regarding the appointment of directors, in the event of co-option, of the top management of the Company and other corporate figures. As part of its duties, the Committee may retain external advisors at the Company's expense. The Committee meets when the need arises, upon the request of one or more members. Upon convening and implementation of meetings, the provisions of the Articles of Association shall apply, *mutatis mutandis*.

During FY 2018 and at the date of this report, the Nominations and Remunerations Committee met four times: 10 and 22 May, 26 June and 21 March 2019. The Nominations and Remunerations Committee assessed and approved the annual reports on remuneration, later approved by the Board of Directors and submitted to the Assembly, and the proposed appointment of certain company officers and contracts with the Executive Chairman and the CEO were discussed and approved, then submitting them to the Board of Directors, as more fully described in the Remuneration 2018 Report. Committee meetings have been

attended by all members of the Board of Statutory Auditors. The meetings had an average duration of approximately 30 minutes.

#### Transactions with Related Parties Committee

The Committee for Transactions with Related Parties is responsible for the functions required by the CONSOB regulations and by the Regulations for Transactions with Related Parties, adopted by the Company on 12 November 2010 and entered into force on 1 January 2011 (hereinafter, the "RPT Regulations"), as later amended on 28 April 2017. The RPT Regulations define the rules, procedures and standards aimed at ensuring the transparency and substantial and procedural fairness of transactions undertaken with related parties carried out by Tiscali. The current Committee, appointed by the Board at its meeting on 10 September 2018, is composed of three Non-Executive Directors, two of whom are Independent, Paola De Martini (Chairman), Anna Belova e Oleg Anikin. The Committee shall perform the following functions: (i) give its non-binding opinion on the interest of the Company's fulfilment of minor transactions (as defined in the RPT Regulations) and the economic advantages and substantial fairness of the relevant conditions; (ii) in the case of major transactions (as defined in the RPT Regulations), it is also involved in the negotiations and in the investigation phase and then expresses its reasoned binding opinion, subject to special approval procedures, in the interest of the Company upon completion of the transaction in question, and the economic advantage and substantial fairness of the relative conditions.

During FY 2018 and at the date of this report, the Committee met four times: 9 May, 10 September, 20 December and 21 March 2019. The Committee meetings have been attended by all members of the Board of Statutory Auditors. The meetings had an average duration of approximately 30 minutes.

#### **1.3.5 Internal Auditing**

The Company already formalized the organizational structure of internal auditing in October 2001. On 25 March 2004, following the changes to the Corporate Governance Code for listed companies and the Borsa Italiana S.p.A. suggestions, the Board of Directors updated the organizational structure of the internal auditing system of the Company, after the structure was updated also to take into account the amendments to the Code of Conduct. The internal auditing system is in line with the principles and application criteria contained in Article No. 7 of the Code.

##### Internal Auditing System

The internal auditing system is the set of processes designed to monitor the efficiency of company transactions, the reliability of financial reporting and compliance with laws and regulations, as well as the safeguarding of company assets.

The Board of Directors has the top responsibility for the internal auditing system, which sets the guidelines and periodically verifies the adequacy and effectiveness, ensuring that the main business risks are identified and appropriately managed. In addition to a continuous comparison and interchange between the various corporate bodies involved, the Audit and Risk Committee prepares every six months, upon approval of the draft of financial statements and the six-month interim report, a special report on the system of corporate

governance of the Company and the Group and the activities undertaken during the period, the information issued by the Supervisory Board and the Internal Auditing Manager are annexed to the Committee's report. The Board of Directors examines the aforementioned information and evaluates the governance system jointly with the Internal Audit plans. With reference to FY 2018, during the meetings held on 10 May and 22 November respectively, during approval of the draft financial statements as 31 December 2017 and the six-month report as at 30 June 2018, the Board has deemed the internal auditing system adequate relating to the needs of the Company, to the regulations in force and to the recommendations of the Code, approving the plans for Internal Audit.

The Audit and Risk Committee plays a key role in the internal auditing system; for its tasks and operation, please make reference to the next paragraph. Other bodies that are part of the internal auditing system are the Director in Charge, whose duties were taken over in the new Board of Directors which took office last February 16, 2016 by the Chief Executive Officer and the Internal Audit department.

The Director in Charge operationally implements the instructions of the Board of Directors on internal auditing, also proceeding to the actual identification and management of key business risks, submitting them for the assessment of the Board of Directors. The Director in Charge proposes to the Board of Directors the appointment of the Chief Internal Auditor, whose support is used in the performance of its functions.

The Chief Internal Auditor is equipped with the resources to carry out his functions and does not report hierarchically to any operational area manager; he reports on his work to the CEO and to the Board of Directors, as well as to the Audit and Risk Committee and the Board of Statutory Auditors, at least every three months. The Chief Internal Auditor has operational responsibility for coordinating activities of the Internal Auditing department, as it does not report to any operational manager hierarchically and is in possession of the necessary professional skills to perform pertaining duties in line with the recommendations of the Code. In order to further strengthen the independence requirement, the Chief Internal Auditor, and therefore the Internal Auditing department, hierarchically report to the Chairperson of the Audit and Risk Committee while, from an administrative point of view, they report to the CEO, whose powers include the provision of suitable means to the Chief Internal Auditor and the Internal Auditing department. The Audit and Risk Committee, in reviewing the work plan prepared by the Chief Internal Auditor, also assesses the suitability of the means and resources granted. The Board of Directors met on 26 June 2018 and, upon opinion of the Audit and Risk Committee and of the Board of Statutory Auditors, has appointed Francesca Marino as new Chief Internal Auditor.

During the intervening period from the previous Report, the main activities in the area of internal auditing by the Chief Internal Auditor, the Committee and the *Internal Audit* department were the following:

- assessment of the Group's governance and the activity conducted by each auditing bodies;
- preparation of six-monthly reports for the Board of Directors on governance activities;
- assessment of the activity of the Supervisory Body and updating, dissemination and application of the "Organization, management and control model" of the Group pursuant to Legislative Decree No. 231/2001;

- implementation of the auditing plan 2018, in particular with the verification procedures for management of contracting and activation of customers, purchasing of goods and services for the needs of the Company and the collection and recovery of customer accounts receivable;
- preparation of the 2019 Audit Plan;
- verification of the adequacy of administrative and accounting procedures for the preparation of the six-month interim report and the 2017 Financial Statements in order to assess their efficacy. This activity is also aimed at the certification pursuant to Article No. 154-bis of the TUF.
- Following the evaluations on the “Model of Organization, Management and Control” pursuant to Legislative Decree No. 231/2001, and the effectiveness of the administrative and accounting procedures, an update of the aforementioned Organization Model as well as administrative and accounting procedures was initiated in order to ensure the full compliance with the requirements referred to in Article No. 154-bis of the TUF. This activity requires the involvement of a specialized external company and, at the date of this report, the selection of proposals received from the various companies involved for this assignment is underway.

#### Control and Risk Committee

The Board of Directors, in line with the recommendations of the Code, has established an Control and Risk Committee, with advisory and consulting functions, currently comprised of three Independent Directors of the Company. The Control and Risk Committee has consultative and advisory functions with the aim of improving the functionality and the ability for strategic planning of the Board of Directors in relation to the internal auditing system. In particular:

- a) It assists the Board of Directors in setting guidelines for the internal auditing system and periodically verifies the adequacy and correct operation of the same, ensuring that the main business risks are identified and appropriately managed;
- b) assesses the work plan prepared by the Chief Internal Auditor and is being sent periodic reports by him/her;
- c) assesses, jointly with the Company's directors and the Independent Auditors, the adequacy of accounting standards adopted and their consistency for the purpose of preparing the consolidated financial statements;
- d) evaluates proposals submitted by auditing firms to obtain the relative audit engagement, as well as the work plan prepared for the audit and the results described in the report and letter of recommendations, and more generally interacts institutionally with the auditing company;
- e) assesses proposals of engagement of an advisory nature formulated by the auditing company – or by its affiliated companies – to the benefit of Group companies;
- f) assesses proposals of an advisory nature to the benefit of Group companies, in case they are for significant amounts;
- g) reports to the Board of Directors at least twice a year, at the time of the annual and six-month report on the activities performed and on the adequacy of the internal auditing system;
- h) performs the other duties that may be assigned by the Board of Directors.

Committee meetings are attended by the entire Board of Statutory Auditors, its Chairperson or an Auditor delegated by the Chairperson of the Board of Statutory Auditors. In view of the topics discussed from time to time, the Chairperson of the Control and Risk Committee may invite to participate other parties, in addition to the CEO, such as the auditing company, the General Manager or the Chief Financial Officer, if any, and the Officer in Charge of Preparing the Company's Accounting Documents, etc.

The meetings of the Control and Risk Committee are held, usually, before meetings of the Board of Directors scheduled for approval of quarterly reports, six-month report and the draft annual financial statements, and at least once every six months. The Chairman of the Control and Risk Committee ensures that members are provided reasonably in advance of the meeting date, the documentation and information necessary to the work, except in cases of necessity and urgency. The work of the Committee is however summarized in written form.

During FY 2018, the Control and Risk Committee met three times: 9 May, 10 September and 22 November; during FY 2019, to date, on March 21 and 28. At all meetings of the Committee were attended by the entire Board of Statutory Auditors. In agreement with the topics on the agenda, the following attended the meetings: the Chief Internal Auditor, the Supervisory Body and the Officer in Charge of Preparing the Company's Accounting Documents, and the representatives of the auditing company or directors and consultants of the Company. All meetings were regularly convened and recorded, and had an average duration of approximately 60 minutes.

#### **1.4 Internal auditing relative to accounting and financial information**

##### **1.4.1 Introduction**

The internal control and corporate reporting must be understood as a process that, by involving several company departments, provides reasonable assurance as to the reliability of financial information, the reliability of financial reporting and compliance with applicable regulations. The meaningful correlation with the risk management process, which consists of the process of identifying and analyzing those factors which may affect the achievement of business goals, is clear, and the main purpose is to determine how these risks can be managed and monitored properly and rendered as harmless as possible. A system of appropriate and effective risk management can indeed mitigate the adverse effects on business objectives, including the reliability, accuracy, reliability and timeliness of accounting and financial information.

##### **1.4.2 Key characteristics of the current risk management and internal auditing systems in relation to the financial reporting process**

###### **A) Phases of the Risk Management and Internal Audit System in relation to the financial reporting process.**

###### *Identification of financial reporting risks*

The risk identification activity is conducted primarily through the selection of relevant entities (companies) for the Group and, later, through the analysis of risks that are found along the business processes giving rise to financial reporting.



This activity includes: i) the definition of quantitative criteria in relation to income and asset contributions provided by individual companies in the last financial statements and the selection rules with minimum thresholds. The consideration of qualitative factors is not excluded; ii) identifying key processes, combined with material data and information, namely accounting items for which there is a not remote possibility of containing errors with a potential significant impact on financial information. For each significant account, the most significant “statements” are identified, always according to evaluations based on risk analysis. The financial statements assertions are represented by the existence, completeness, after the event, from the assessment, from rights and obligations and the presentation and disclosure. The risks therefore relate to the possibility that one or more account statements are not properly represented, with a consequent impact on the information itself.

#### *Assessment of financial reporting risks*

The risk assessment is carried out both on an overall company level and at level of specific processes. The first area includes risks of fraud, improper operation of IT systems or other unintentional errors. At process level, risks related to financial reporting (underestimation, overestimation of items, inaccuracy of information, etc.) should be analyzed at the level of the activities that make up the business processes.

#### *Identification of controls against identified risks*

As a preliminary activity, attention is paid to company-level controls connected to data/information and relevant statements, which are identified and assessed both by monitoring of the reflection at the process level and at a general level. The company-level controls are designed to prevent, detect and mitigate any significant errors, although not operating at the process level.

#### *Assessment of controls against identified risks*

The assessment of the control system used is a function of several elements: timing and frequency; adequacy; operational compliance; organizational assessment. The overall control analysis overseeing each risk is defined autonomously as a summary of the assessment process of the adequacy and compliance correlating to said controls. Said analyses summarize considerations on the effectiveness and efficiency of the individual risk monitoring controls and the overall assessment on risk management is split into assessments of existence, adequacy and compliance. Information flows with the results of the activity performed submitted to administrative bodies by the Reporting Officer in support to accounting documents.

#### **B) Roles and departments involved.**

The Reporting Officer is substantially at the top of the system that oversees financial reporting and informs company management on the matter. In order to carry out his/her tasks, the Reporting Officer has the power to set out the organizational guidelines for an appropriate structure as part of its function; the Officer also is equipped with the means and tools to carry out its activities; and has the ability to collaborate with other organizational units.

A variety of corporate departments contribute with information of economic and financial nature. Therefore, the Reporting Officer sets up systematic and successful relationships with these departments. The Reporting Officer is bound to promptly inform the Board of Auditors should critical issues emerge of an accounting, equity and financial nature.

The Consolidated Accounts Department serves as an intermediate layer and a link between the Reporting Officer and the Administrative Advisors within the Tiscali Group, arranging to collect, test, assemble, monitor the information received by the latter. The Consolidated Accounts Department cooperates with the Reporting Officer with regard to the documentation of accounting processes and their related updating over time. The Administrative Advisors of the Group gather operational information, check it and guarantee the adequate flow of information concerning the transposition of pertaining external regulations from time to time.

A steady flow of information is provided among the three levels described above, through which the Reporters inform the Consolidated Financial Statements Department and the Reporting Officer, both on the methods in which management and control activity is carried out for the preparation process of accounting documents and financial information, and on any critical issues that emerged during the period and the remedial action implemented to overcome any problems.

The model used is believed to allow for providing sufficient guarantees for proper accounting and financial information.

### **1.5 Organization, management and control model as per Legislative Decree No. 231/2001**

The company has long adopted the “Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001” (hereinafter referred to as the “Model”); during 2010, the process primarily aimed at adapting the Model to new regulatory changes and the new reality of the Company and the Tiscali Group; the new Model and Code of Ethics, were approved by the Board of Directors held on November 12, 2010. Subsequently, in the meeting held on 14 May 2013, the Board approved the new Model updated to recent regulatory interventions especially with regard to crimes against the Public Administration, individual personality, occupational safety and the environment. In November 2018, a new updated model was adopted by the Group’s operating subsidiary, Tiscali Italia S.p.A., in accordance with its specificity and risk profile.

At the meeting held on 20 July 2018, the Board of Directors appointed the new Supervisory Body of the Company, composed of Attorney Maurizio Piras (Chairman), Ms. Francesca Marino and Attorney Maria Sardelli. The appointment of the Supervisory Body will expire with the approval of the financial statements as at 31 December 2020. The current SB replaces the previous one due to expiry with the approval of the 2017 financial statements and composed of Attorney Maurizio Piras (Chairman), Ms. Francesca Marino and Attorney Angelo Argento.

### **1.6 Governance of the Transactions with Related Parties**

On April 8, 2017, with a positive opinion of the independent directors, the Company’s Board of Directors

approved the new Regulations for Transactions with Related Parties (hereinafter referred to as “the Regulations”) in accordance with Article No. 2391-*bis* of the Civil Code and of CONSOB Regulation No. 17221 dated 12 March 2010, available on the Company’s website [www.tiscali.com](http://www.tiscali.com) under the “Documents/Information Documents” section. The Regulations governing transactions with related parties carried out by Tiscali S.p.A. and its subsidiaries or associates, replaces the one previously in place and came into force on 1 May 2017.

During FY 2018 and up to the date of this report, the Committee assessed on two occasions a related party transaction pursuant to the Rules and related to the issue of a convertible bond loan to be resolved by the Board of Directors within the proxy granted by the Shareholders’ Meeting dated 26 June 2018 and reserved to the reference shareholder ICT Holding Ltd. The transaction was approved with the favorable opinion of the Committee on 31 January 2019, following the resolution passed by the Board of Directors; for all in-depth information please refer to the documentation published on the Company’s website ([http://investors.tiscali.it/it/azioni/prestito\\_obbligazionario.php](http://investors.tiscali.it/it/azioni/prestito_obbligazionario.php)). In addition, at the meeting of March 21 2019 two minor transaction were assessed with Istella S.p.A., of which the director Renato Soru is a partner.

### **1.7 Confidential information and market disclosure. Investor Relations**

An *Investor Relations* department operates in the Company, which is entrusted with the task of establishing a dialogue with Shareholders and institutional investors. The *Investor Relations* department, prepares, among other things, the text of press releases and, according to the kind of each press release, oversees, in consultation with the Legal and Corporate Affairs department, the internal approval procedure. Furthermore, it deals with their publication, also through a network of external companies professionally specialized in such tasks.

Disclosure is ensured not only by press releases, but also through periodic meetings with institutional investors and the financial community, as well as by extensive documentation made available on the website [www.tiscali.com](http://www.tiscali.com) in the section “*Investor Relations*”. The use of online communication, which mainly benefits non-institutional public, is considered as essential by the Company, as it makes possible a homogeneous distribution of information. Tiscali undertakes to systematically oversee to the accuracy, completeness, continuity and updating of financial matters disclosed via the Company’s website. One may also contact the company through a specific e-mail address ([ir@tiscali.com](mailto:ir@tiscali.com)).

Directors, Statutory Auditors and top management of Tiscali and its subsidiaries are obliged to maintain the confidentiality of documents and information acquired in carrying out their tasks. Any dealings between these parties and the press and other mass media, as well as with financial analysts and institutional investors, which involve confidential documents and information concerning Tiscali or the Group, must only occur through the Chief of Investor Relations, with the exception of interviews and statements made by the executive Directors.

Management and, in any case, all employees and collaborators are required to maintain the confidentiality of *price sensitive* documents and information acquired as a result of, and during the performance of their duties and cannot communicate them to others except for work-related reasons of function or position, unless such documents or information have already been published in the due forms. The aforementioned parties are prohibited from giving interviews to the press, or making any public statements, which contain information on

relevant facts, classified as “confidential” pursuant to Article No. 181 of the Legislative Decree No. 58/1998, which have not been included in press releases or documents already disclosed to the public, or expressly authorized by the *Investor Relations* department. In accordance to what is stated in Paragraph 2 of Article No. 114 of the Legislative Decree No. 58/1998, the Company has established procedures for reporting by the various corporate department to the *Investor Relations* department of events deemed *price sensitive*. Implementing Article No. 115-bis of the Legislative Decree No. 58/1998 concerning keeping a register of persons with access to classified information, the Company has established at the *Investor Relations* department a register of persons, who, because of their working or professional activity or because of their duties, have access to this type of information. In accordance with the aforementioned legislation, the register, managed with IT systems, contains: the identity of any person having access to classified information, the reason why such person has been included on the list, the date on which such person was recorded in the register, the date of update of the information relating to that person.

The Board of Directors, in its meeting held on April 28, 2017, approved the procedures for managing the register of persons with access to classified information and the company procedure for the public disclosure of classified information.

## **1.8 Diversity Policies**

The Board of Directors, in its meeting dated 10 May 2018 and on the proposal of the Nomination and Remuneration Committee, adopted the Diversity Policy of the Board of Directors and the Board of Statutory Auditors (hereinafter referred to as the “Policy”) in relation to the composition the administrative and management bodies relating to aspects such as age, gender composition and training and professional development.

The aforementioned Policy describes the optimal characteristics of the composition of the Board of Directors and of the Board of Statutory Auditors so that they can exercise their duties in the most effective way, taking decisions that can concretely make use of the contribution of a plurality of qualified points of view, able to examine the issues under discussion from different perspectives. The purpose of the Policy is, first of all, to orientate the candidacies formulated by the Shareholders during the renewal of the administrative and control bodies, ensuring on this occasion an adequate consideration of the benefits that can derive from a harmonious composition of the same, aligned to the various diversity criteria indicated above.

Of the indications contained in this Policy, the Nominations and Remuneration Committee also takes into account if it is called upon to propose candidates to the Board of Directors to the Board of Directors, taking into consideration any reports received from Shareholders, in certain predetermined cases.