



**Report on corporate governance  
and ownership structure  
for the year 2019 of Gefran S.p.A.**

Pursuant to article 123-bis of the TUF

[www.gefran.com](http://www.gefran.com)

Approved by the Board of Directors on 12 March 2020

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## GLOSSARY

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

**Civ. code/c.c.:** the Italian civil code.

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

**Issuer:** the company issuing the securities to which the Report refers.

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

**Consob Issuers' Regulation:** the regulation issued by Consob with Resolution no. 11971 of 1999 as amended, regarding issuers.

**Consob Regulation on Markets:** the regulation issued by Consob with Resolution no. 20249 of 2017, on markets.

**Consob Regulation on Related Parties:** the regulation issued by Consob with Resolution no. 17221 of 12 March 2010 (as amended), on transactions with related parties.

**Report:** the report on corporate governance and ownership structure that companies are required to draw up pursuant to article 123-bis of the Consolidated Finance Act (TUF).

**Consolidated Finance Act/TUF:** Legislative Decree no. 58 of 24 February 1998.

## 1. ISSUER PROFILE

Gefran S.p.A. is a leader in the sector of components and control systems for industrial processes.

Gefran Group has 829 employees worldwide and a direct presence in 12 countries, with 10 production facilities and 15 sales organisations. The group is active in three main businesses: industrial sensors and automation components, motion control for electronic control of electric motors, electrical panels and programmable automation.

Gefran S.p.A. has been listed on the Milan Stock Exchange since 1998, and has been part of the STAR segment since 2002.

Gefran is a qualified issuer of listed small enterprise shares under art. 1, paragraph 1, letter w-quater.1) TUF, included in the Consob list. In the year 2019, the company had an average capitalisation of €101,376,000 and € 139,732,507 in turnover

Gefran has a traditional **management and control model**, with a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors. The Corporate Governance System is based on the fundamental role of the Board of Directors (as the highest body responsible for managing the Company in the shareholders' interest), transparency in the decision-making process, an effective system of internal controls, the rigorous regulation of potential conflicts of interest, and appropriate rules of conduct for transactions with related parties.

### The Board of Directors

The Board of Directors is granted with the broadest powers for the ordinary and extraordinary management of the Company, excluding only those strictly reserved by law to the Shareholders' Meeting.

The Board of Directors is also responsible for passing the following resolutions, subject to legal limitations:

- mergers pursuant to articles 2505 and 2505-bis of the Civil Code;
- the establishment and closure of secondary offices;
- any reduction in share capital in the event of a withdrawal by shareholders;
- amendments to the by-laws and the Shareholders' Meeting Regulations to comply with regulatory provisions;
- transfer of the registered office within Italy.

The Board of Directors has established a Control and Risks Committee and an Appointments and Remuneration Committee (Remuneration Committee prior to 14 March 2019), which have the functions of submitting proposals and consulting.

**The Shareholders' Meeting** is the body representing all shareholders. It is responsible for passing ordinary resolutions regarding the approval of the annual financial statements, appointing the members of the Board of Directors and of the Board of Statutory Auditors, determining directors' and Statutory Auditors' fees and appointing the external auditor. It also passes extraordinary resolutions on operations of an extraordinary nature, such as amendments to the by-laws, capital increases, mergers, spin-offs, etc. that are not the responsibility of the Board of Directors pursuant to the by-laws.

The **Board of Statutory Auditors** is the body controlling the compliance with the law and with the by-laws, with the principles of fair management, and in particular with the adequacy of the internal control system, and the organisational, administrative and accounting structure and its effective operation.

In accordance with the laws in force, accounting audits are entrusted to a specialised company that is included in a register kept by Consob and appointed by the Shareholders' Meeting.

The **External Auditor** is a body independent from the Company responsible for checking during the year that the accounts are properly maintained and accounting entries properly reflect operations. It is also responsible for checking that the separate and consolidated financial statements accurately reflect the accounting records and the assessments conducted, and that the accounting documents comply with the rules governing them.

## **2. INFORMATION ON OWNERSHIP STRUCTURE AT 31/12/2019 (pursuant to article 123-bis, paragraph 1, TUF)**

### **a) Share capital structure (pursuant to article 123-bis, paragraph 1, letter a), TUF)**

On 31 December 2019, the subscribed and paid-up share capital was EUR 14,400,000.00, divided into 14,400,000 ordinary shares, with a nominal value of EUR 1.00 per share (refer to Table 1). No further financial instruments have been issued.

### **b) Restrictions on the transfer of securities (pursuant to article 123-bis, paragraph 1, letter b), TUF)**

The shares are considered free in that there are no:

- restrictions on the transfer of securities;
- securities conferring special rights of control;
- restrictions on voting rights;
- statutory provisions on public tender offers.

### **c) Significant shareholdings (pursuant to article 123-bis, paragraph 1, letter c), TUF)**

For details on significant shareholdings (shareholders who own more than 5% of the share capital) in Gefran, see table 1 annexed to this Report.

This information is based on the entries in the Shareholders' Register and the information available following shareholders' communications pursuant to article 120 of the TUF, as at 31 December 2019.

**d) Securities conferring special rights (pursuant to article 123-bis, paragraph 1, letter d), TUF)**

Gefran S.p.A. has not issued any securities conferring special rights of control. Gefran S.p.A.'s by-laws do not provide for shares with multiple or majority voting rights.

**e) Employee shareholding situation: procedures for exercising voting rights (pursuant to article 123-bis, paragraph 1, letter e), TUF)**

There are no procedures for exercising voting rights in any employee shareholding situations, when employees do not exercise their voting rights directly.

**f) Restrictions on voting rights (pursuant to article 123-bis, paragraph 1, letter f), TUF)**

There are no restrictions on voting rights.

**g) Shareholder agreements (pursuant to article 123-bis, paragraph 1, letter g), TUF)**

Gefran is aware of a shareholders' agreement under article 122 of Legislative Decree 58/98 regarding the stake in the share capital of the parent company Fingefran S.r.l., for which all formalities required by the laws and the regulatory provisions in force have been fulfilled.

This agreement, executed on 16 October 2006, concerns shares worth EUR 25,110.59, equivalent to 54.023% of the share capital of Fingefran S.r.l. It establishes limits on the sale of the shares as well as provisions regarding the exercising of voting rights at the Fingefran S.r.l. shareholders' meeting.

The shareholders part of the agreement and the percentage of share capital that is currently bound for each of these are as follows:

Shareholder	Nominal value	% of capital
Maria Chiara Franceschetti	8,370.20	18.008%
Giovanna Franceschetti	8,370.20	18.008%
Andrea Franceschetti	8,370.19	18.007%
Total shares bound by agreement	25,110.59	54.023%

The parties to the agreement have bare ownership of the shares in question, since Ennio Franceschetti has the right to life usufruct, and hence holds the voting rights. The agreement shall come into effect when the right to usufruct is consolidated with bare ownership, and will be valid for three years from the effective date.

**h) Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h), TUF) and statutory provisions regarding tender offers (pursuant to articles 104, paragraph 1-ter, and 104-bis, paragraph 1)**

As of 31 December 2019, there was no change of control clauses, since Gefran and its subsidiaries had not stipulated any agreements that would come into force, be changed or be terminated in the event of a change in corporate control, with the exception of a number of loan

agreements in which the lending bank is entitled to call in the loan and/or to withdraw in the event of a change in the control of the Company.

The by-laws do not contain provisions that:

- derogate from the passivity rule provisions pursuant to article 104, paragraphs 1 and 2, of the TUF;
- provide for the application of the neutralisation regulations set out in article 104-bis, paragraphs 2 and 3, of the TUF.

**i) Powers to increase the share capital and authorise the purchase of own shares (pursuant to article 123-bis, paragraph 1, letter m), TUF)**

The Board of Directors currently has no mandate to increase the share capital.

The Shareholders' Meeting of 03 May 2019 authorised the purchase and sale of own shares. The Company notified the market of the launch of the new purchase and sale plan on the same date.

The Shareholders' Meeting authorised the purchase of a maximum of 1,440,000 ordinary Gefran S.p.A. shares with a nominal value of EUR 1.00 per share. Transactions, conducted pursuant to the laws in force, must be carried out within 18 months of the shareholders' authorisation.

The objectives of the mandate are:

- to intervene directly or through authorised intermediaries in order to limit any abnormal movements in share prices and regulate trading and price trends affected by excess volatility or poor liquidity;

The purchase price must be no less than the nominal value and no more than the average benchmark price of the three trading days prior to the date of purchase, plus 15%; the selling price must be no less than the benchmark price recorded by the share on the trading day prior to each sale, less 10%.

As of 31 December 2019, the Company directly held 27,220 own shares, equivalent to 0.19 % of the share capital.

Gefran S.p.A. informs the market on a weekly basis of the transactions carried out through press releases, and summarises them in a monthly report to Consob, in the form set out in Annex 3F of the Consob Issuers' Regulation, if they exceed the minimum threshold for transactions relating to own shares of EUR 100,000.00, below which there is no reporting obligation.

**l) Management and coordination activity (pursuant to article 2497 et seq. of the Civil Code)**

Gefran S.p.A. is not subject to management and coordination pursuant to Article 2497 et seq. of the Civil Code, since the following indicators that the Company may be subject to the management and control of others are non-existent:

- i. the preparation of Group business, strategic and financial plans and budgets by the parent company;
- ii. the issuing of directives pertaining to finance and credit policy;
- iii. the centralisation of functions such as treasury, administration, finance



- and control;
- iv. the defining of Group growth strategies, the strategic and market positioning of the Group and individual companies, especially if the policy guidelines are likely to influence and determine their actual implementation by Company management.

Gefran S.p.A. currently directly and indirectly exercises management and coordination activities pursuant to article 2497 of the Civil Code in the following companies:

Company	% of share capital owned
Gefran Inc.	100
Gefran Brasil Eletroeletronica Ltda	100 through Gefran S.p.A. and Sensormate AG
Gefran Benelux NV	100
Gefran France S.a.	100
Gefran Deutschland GmbH	100
Siei Areg GmbH	100
Gefran UK Ltd	100
Sensormate AG	100
Gefran India Pvt. Ltd.	100 through Gefran S.p.A. and Sensormate AG
Gefran Siei Asia Pte Ltd	100
Gefran Siei Drives Technology Co. Ltd.	100 through Gefran Siei Asia
Gefran Siei Electric Pte. Ltd.	100 through Gefran Siei Asia
Gefran Middle East Elektrik Ve Elektronik Sanayi Ve Ticaret Limited Şirketi	100
Gefran Soluzioni Srl	100
Gefran Drives and Motion Srl	100
Elettropiemme Srl	100 through Gefran Soluzioni Srl

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Note that:

The information required by article 123-bis, paragraph one, letter i) (*"agreements between the Company and directors ... providing for compensation in the event of resignation or dismissal without just cause or if their employment ceases following a tender offer"*) is contained in the Remuneration Report published pursuant to article 123-ter of the TUF.

The information required by article 123-bis, paragraph one, letter l) (*"rules governing the appointment and replacement of directors ... and amendment of the By-laws, if different from the laws and regulations applicable as supplementary measures"*) are set out in the section of this Report in the Board of Directors section (Section 4.1).

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### **3. COMPLIANCE (pursuant to article 123-bis, paragraph 2, letter a), TUF)**

The corporate governance structure adopted by the Company is based on the recommendations and regulations set out in the Italian Stock Exchange's "Code of Conduct for Listed Companies", with which the Company complies, and which is available at: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>. Strategically important subsidiaries are not subject to foreign legal provisions that could influence the corporate governance structure of Parent Company Gefran S.p.A..

### **4. BOARD OF DIRECTORS**

#### **4.1 APPOINTMENT AND REPLACEMENT (pursuant to article 123-bis, paragraph 1, letter l), TUF)**

Gefran has maintained a traditional management system, with the Board of Directors responsible for all aspects of company management. The statutory provisions regulating the process of appointing the Board of Directors were brought into line with the provisions of Legislative Decree 27/2010 (enacting the *Shareholders' Rights* directive) in the Resolution issued by the Board of Directors on 22 October 2010.

Article 13 of the by-laws, which was last amended by Board resolution on 1 October 2012, pursuant to Law 120/2011, to guarantee gender balance within corporate bodies, provides that:

*"The Company is managed by a Board of Directors consisting of a minimum of seven and a maximum of eleven directors.*

*Directors shall remain in office for a period not exceeding three years. Their mandate expires on the date of the Shareholders' Meeting called to approve the financial statements for the final financial year of their mandate, and they may be re-elected.*

*Before appointing directors, the Shareholders' Meeting shall determine the number of Board members and their term of office.*

*All Directors must meet the requirements of eligibility, professionalism and good standing established by law and other applicable provisions. Pursuant to article 147-ter, paragraph 4, of Legislative Decree 58/1998, at least one Director, or at least two if the Board has more than seven members, must meet the requirement of independence set out therein (hereinafter the "Independent Director pursuant to article 147-ter").*

*The Shareholders' Meeting appoints the Board of Directors based on the lists submitted by the shareholders, following the procedures set out below, without prejudice to any different and additional provisions provided by binding laws or regulations.*

*Lists for appointment of Directors may be presented by shareholders who, at the time of presentation of the list, hold a share at least equal to that identified by Consob<sup>1</sup>. in art. 147-ter, paragraph 1, of Legislative Decree 58/1998 and in accordance with the provisions of the Issuers' Regulation approved by resolution no. 11971 on 14 May 1999 as amended.*

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<sup>1</sup> For 2017, the percentage was 2.5% of the share capital

*Lists should be filed at the Company's registered office at least twenty-five days prior to the Shareholders' Meeting asked to appoint the directors. They should also be published in accordance with the legal provisions in force at least twenty-one days prior to the same date.*

*Lists may contain up to 11 candidates, numbered consecutively. Each list must contain and explicitly indicate at least one Independent Director pursuant to article 147-ter, with a progressive number no higher than seven. If the list contains more than seven candidates, it must contain and explicitly indicate a second Independent Director pursuant to article 147-ter. Each list may also, if necessary, indicate which directors meet the requirements of independence laid down by the Codes of Conduct drawn up by management companies of organised markets or professional associations.*

*If binding criteria relating to gender quotas are applicable, every list that presents at least three candidates must contain a number of candidates of the less represented gender at least equal to the minimum required by the provisions in force at the time. The lists must also contain, or have attached: (i) information on the shareholders who presented them, with the overall percentage of shareholding held; (ii) full details of the candidates' personal and professional characteristics; (iii) a statement by the candidates declaring that they accept their candidacy and meet the legal requirements, as well as the requirements of independence, where they are indicated as Independent Directors pursuant to article 147-ter or as independent Directors under the above-mentioned codes of conduct; (iv) any other or different statement, information and/or document covered by the law and by the applicable regulatory standards.*

*Shareholders may not submit nor vote for more than one list, even through a third party or a trust company. A candidate may be present on only one list, or else be deemed ineligible.*

*At the end of the vote, candidates from the two lists obtaining the highest number of votes are elected, according to the following criteria: (i) from the list obtaining the highest number of votes (the "Majority List"), a number of directors is taken equal to the total number of Board members, as established by the Shareholders' Meeting, less one; the candidates are elected, in the established number, in the numerical order specified in the list; (ii) from the list that obtained the second highest number of votes and which is not directly or indirectly related to the shareholders who presented or voted for the Majority List pursuant to the applicable provisions (the "Minority List") one director is taken, namely the candidate at the top of the list. However, if no Independent Directors pursuant to article 147-ter are elected from the Majority List, when the Board has a maximum of seven members, or if only one Independent Director pursuant to article 147-ter is elected, when the Board has more than seven members, the first Independent Director pursuant to article 147-ter in the Minority List will be elected, rather than the person at the top of the Minority List.*

*Lists that have not gained at least half of the number of votes required for their presentation will not however be taken into account.*

*If the lists receive an equal number of votes, the winning list shall be the one submitted by the shareholders with the highest shareholding at the time the list is submitted or, subordinately, by the highest number of shareholders.*

*If the Board of Directors formed in this way does not include at least the minimum number of director of the less represented gender required by the legislation in force at the time, the last candidate elected from the majority list shall be replaced by the first unelected candidate of the same list belonging to the less represented gender, and so on up the majority list. If the minimum number of members of the less represented gender is not reached, they will be appointed by the*

*Shareholders' Meeting with the ordinary majorities established by law, replacing the candidates in the majority list belonging to the more represented gender, starting from the last elected candidate, and so on up the list.*

*If only one list has been presented, the Shareholders' Meeting shall vote on that list, and if the list obtains a relative majority of voters, not counting abstentions, candidates listed in progressive order are elected as directors up to the maximum number established by the Shareholders' Meeting, provided, however, that if the Board comprises more than seven members, the second Independent Director pursuant to article 147-ter is also elected, in addition to the one in the first seven places, and that this complies with the gender equality provisions in force at the time. If the minimum number of members of the less represented gender is not reached, they will be appointed by the Shareholders' Meeting with the ordinary majorities established by law, replacing the candidates in the only list belonging to the more represented gender, starting from the last elected candidate, and so on up the list.*

*In the absence of lists, or of the number of directors elected based on the lists submitted is lower than the number established by the Shareholders' Meeting, the members of the Board of Directors shall be appointed by the Shareholders' Meeting with the majorities established by law, subject to the appointment by the Shareholders' Meeting of a number of Independent Directors pursuant to article 147-ter equal to the minimum number established by law, and to the Shareholders' Meeting's obligation to appoint a number of directors belonging to the less represented gender that is not below the minimum number established by the provisions in force at the time.*

*Independent Directors pursuant to article 147-ter identified as such at the time of their appointment must report if they no longer meet the requirement of independence, and will thereby leave office, as prescribed by law.*

*If one or more directors leave office, for any reason, they will be replaced in accordance with the provisions of article 2386 of the Civil Code, subject to the obligation to maintain the minimum number of Independent Directors pursuant to article 147-ter established by law, and the obligation to maintain gender equality in accordance with the regulations in force at the time.*

*If due to resignations or other causes, half the number, in the event of an even number, or more than half in the event of an odd number, of the directors holding office or designated directors leave office, the entire Board shall be considered as removed from office, effective at the time of the subsequent reconstitution of the Board. A meeting to make the new appointments shall be called urgently by the remaining directors, and will take place pursuant to the provisions of this article.*

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There are no special procedures for making changes to the by-laws.

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The Board approved a plan for succession of the Chief Executive Officer. The Executive Recovery Plan prepared by Legal and Corporate Affairs was submitted to the Remuneration Committee, which approved it in its final form on 8 February 2019 and submitted it to the Board of Directors' approval on 14 February 2019.

The plan sets forth specific cases which determine its implementation in the event that it should be necessary to replace the Chief Executive Officer prior to the ordinary expiry of office. The plan does not set forth specific methods or times for revision, and can therefore be updated periodically in response to a Board of Directors resolution.

The Chief Executive Officer resigned on 2 December 2019, and the succession plan was implemented, as described in the press release issued on the same date.

#### **4.2 COMPOSITION (pursuant to article 123-bis, paragraph 2, letters d) and d) bis of the TUF)**

The Board of Directors in office as of 31 December 2019 was appointed at the Shareholders' Meeting of 20 April 2017 using the list system, specifically with the only Majority List, submitted by the shareholder Fingefran S.r.l. on 27 March 2017, which held a total of 8,164,080 Gefran S.p.A. ordinary shares, equal to 56.695% of the share capital.

The current Board shall remain in office until the date of the Shareholders' Meeting to approve the financial statements for the year ending 31 December 2019.

The list included the following candidates:

1. Ennio Franceschetti, born in Provaglio d'Iseo (BS) on 5 September 1942;
2. Maria Chiara Franceschetti, born in Iseo (BS) on 22 June 1969;
3. Giovanna Franceschetti, born in Iseo (BS) on 3 February 1976;
4. Andrea Franceschetti, born in Iseo (BS) on 28 May 1977;
5. Alberto Bartoli, born in Brescia (BS) on 06 June 1960;
6. Monica Vecchiati, born in Palazzolo sull'Oglio on 28 May 1961;
7. Daniele Piccolo, born in Milan (MI) on 26 June 1962;
8. Mario Benito Mazzoleni, born in Milan (MI) on 24 January 1957;
9. Romano Gallus, born in Lumezzane (BS) on 24 November 1941;

This list received 8,920,057 votes, representing 100% of the voting capital.

The Company has not set up an Executive Committee.

Even when the directors hold more charges, they shall all devote the time required to perform their duties, while remaining aware of the responsibilities associated with their charges; they are kept constantly up to date on the principal new developments in legislation and regulations.

The directors shall perform their duties with full knowledge of the facts, and contribute their specific skills of a technical and strategic nature to Board discussions, in full autonomy and with independent judgement, with the aim of creating value for shareholders.

The four non-executive directors, who do not have operational or management powers within the Company, can provide a broader perspective in discussions on agenda items, especially matters where the interests of the executive directors and those of the shareholders do not coincide.

During 2019 financial year, the director Alberto Bartoli resigned on 2 December 2019.

On 16 December 2019 director Marcello Perini was coopted, to remain in office until the next shareholders' meeting.

## ***Personal and professional characteristics of each director (pursuant to article 144-decies of the Consob Issuers' Regulation)***

A brief curriculum vitae for each director in office as of the date of this Report, showing their personal details, expertise and experience, is provided below.

### **Ennio Franceschetti**

Current Honorary Chairman of the Gefran S.p.A. Board of Directors.  
Born in Provaglio d'Iseo on 5 September 1942, he holds an Industrial Technician diploma from Istituto Tecnico Castelli in Brescia, and is the founder of Gefran S.p.A., where he was Chief Executive Officer until 2004 and Chairman until 2018.

### **Maria Chiara Franceschetti**

Current Chairman of Gefran S.p.A.  
Born in Iseo on 22 June 1969, she graduated in Mechanical Engineering from Brescia University and started her career as a director of 3S S.r.l. in Varese. She later joined the Gefran Group as Company Information Systems Manager, and subsequently became Group HR Director. She was Group CEO between 2014 and 2017.  
She is an independent director of A2A S.p.A..

### **Andrea Franceschetti**

Current Vice Chairman of Gefran S.p.A.  
Born in Brescia on 28 May 1977. He obtained a Master's Degree in Economics and Management of Small and Medium Enterprises in 2006/2007 and a Master's Degree in Business Economics promoted by Il Sole 24 Ore in 2009.  
In 2001-2002, he was responsible for updating the Go-Fluid site for Hydraulics/Pneumatics/Lubrication of the company Vortal srl.  
Began working for Gefran SpA in 2002, holding a number of positions in production and quality, becoming International Sales Manager in February 2013 and then Drives Business Unit Sales Manager until 2017; currently Chairman of the Board of Directors of the subsidiary Gefran Soluzioni Srl. Also holds the position of Director in the innovative start-up Matchplat S.r.l..

### **Giovanna Franceschetti**

Current Vice Chairman of Gefran S.p.A.  
Born in Iseo on 03 February 1976.  
She holds a degree in Public Relations from the IULM University in Milan. After obtaining a Master's Degree in Business Administration from L. Bocconi Business School, she started working as a Product Manager for consumer goods multinational Unilever.  
She was Head of Communications and Image for Gefran and Group Investor Relator from 2004 to 2018.  
Member of the Board of Directors of Fingefran S.r.l., Gefran S.p.A.'s parent company, and member of the Board of Directors of Ensun S.r.l. and Elettropiemme S.r.l..

**Romano Gallus**

Born in Lumezzane (BS) on 24 November 1941. Entrepreneur and founder of "GV Stamperie S.p.A.", a brass heat-moulding company in which he is Chief Executive Officer. Member of the Board of Directors of Gefran S.p.A. since 2000.

**Mario Mazzoleni**

Born in Milan on 24 January 1957, he graduated from L. Bocconi University (in the 1980-81 academic year) in Business Administration, specialising in the Economics of Public Administration.

Associate professor of Business Administration AT Brescia University since 1992 . University researcher in the Economics Faculty of Brescia University since 1988.

Director of the School of Management and Advanced Education at Brescia University since 2018 . Member of Confindustria's consulting Scientific Committee for Small Enterprises since 2019.

Holds the post of Member of the Board of Directors of Quanta Risorse Umane SpA, a member of Gruppo Fonderie di Torbole, since 2017, AbitareIn Spa since 2015, Aria Spa, and Rejoint Spa, and sits on the Confindustria scientific committee for small enterprises.

The Board of Directors has verified that Mario Mazzoleni meets the requirements pursuant to article 148, paragraph 3, of the TUF, and application criteria 3.C.1. and 3.C.2. of the Code of Conduct, to be qualified as an independent director of the Company.

**Marcello Perini**

Born in Brescia on 26/03/1969. Graduated from Brescia University with a degree in Mechanical Engineering and joined Gefran in 1995, working on the design of Industrial Sensors. Held posts of growing responsibility in the Technical Direction of the Sensors Division before becoming Manager of the Sensors Division plant in Provaglio. He has held the post of General Manager of the Group's Sensors and Components Business Unit since 2016.

**Daniele Piccolo**

Born in Milan on 26 June 1962, he completed his professional training on financial markets and marketing at the following institutes: SDA Bocconi, Milan; HEC, Paris; EFMA, Paris; Lafferty, London; Istud Business School, Milan. From 1982 to 2007, he held numerous positions of increasing seniority within the Credito Emiliano Group. From 2001 to 2006, he was also Chief Executive Officer of Istifid S.p.A., Milan. From 2007 to 2015 he was Assistant General Manager of Banca Albertini Syz. From 2015 to 2017, he was General Manager of Banca Cesare Ponti S.p.A.; he is now Private Banking Manager in Northern Italy for Banca Finnat Euramerica.

The Board of Directors has verified that Daniele Piccolo meets the requirements pursuant to article 148, paragraph 3, of the TUF, and application criteria 3.C.1. and 3.C.2. of the Code of Conduct, to be qualified as an independent director of the Company.

**Monica Vecchiati**

Born in Palazzolo sull'Oglio (Bs) in 1961. Graduated from Bergamo University in Business Administration in 1985 and specialised in the Corporate Governance programme at Milan University before taking a level II Master's Degree in Welfare at Tuscia University.

She is a Certified Accountant and Statutory Auditor. Director, Auditor, and Member of the Supervisory Body under Law 231/2001, Co.Vi.Soc. Inspector, Mediator and Consultant in civil and penal law for a number of companies and organisations.

The Board of Directors has verified that Monica Vecchiati meets the requirements pursuant to article 148, paragraph 3, of the TUF, and application criteria 3.C.1. and 3.C.2. of the Code of Conduct, to be qualified as an independent director of the Company.

### **Diversity criteria and policies**

Gefran has always been aware of the importance of preserving all aspects of diversity, such as gender and age composition and different educational backgrounds and work experience.

The Company fully implements all the provisions of the law regarding gender composition: one third of the members of its Board of Directors and Board of Statutory Auditors belong to the least represented gender.

The composition of both bodies is therefore sufficiently diversified in relation to this parameter. There is also diversity in terms of age and differences in educational background and work experience, as will be evident from the discussion that follows and from employees' CVs.

### **Maximum number of positions held in other companies**

The Board of Directors has expressed its position on the maximum number of directorships held, making a distinction in particular between executive directors - for which a maximum number of 5 has been identified, excluding the positions held within the Group - and non-executive and independent directors, for which a maximum number of 12 has been identified, excluding positions in the companies listed in article 113 of the TUF.

The maximum number of offices was determined in relation to the commitments of the executive directors, taking into account their operational role within the Company, and those of non-executive directors, taking into account the regular commitments of the Board and the internal company committees.

Below is a list of the positions of director or auditor held by Company directors in companies listed on regulated markets, in Italy and abroad, in financial companies, banks, or insurance companies of significant size.

<b>First name and surname</b>	<b>Company</b>	<b>Position held</b>
Maria Chiara Franceschetti	A2A S.p.A.	Director
Mario Mazzoleni	Abitare In S.p.A.	Director
	Quanta risorse umane S.p.A.	Director

The Board's current composition fully complies with the general criteria set out above.

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In accordance with the recommendations of art. 2.C.2 of the Code of Conduct (*known as the "induction programme"*), the Chairman has ensured that all directors and statutory auditors may participate in initiatives aimed at improving their knowledge of the sector in which the issuer does business, corporate dynamics and how they evolve, risk management principles, and the applicable legislative and self-regulatory framework.

These initiatives include company visits and meetings with the top management.



During the year 2019 in particular, in three meetings of the Board of Directors, specific induction sessions were conducted on the Group's line of business, followed by tours of the plants.

Legal and Corporate Affairs also regularly provides directors with sufficient information regarding the legislative and self-regulatory environment in which the Group operates.

With reference to principles of correct risk management, the results of all Risk Assessment activities performed with the assistance of the company appointed to act as Internal Auditor, Protiviti S.r.l., were presented to the Board at the 13 February 2020 Board of Directors' meeting. Representatives of Protiviti S.r.l. attended the meeting.

#### **4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d), TUF)**

In line with the provisions of the traditional model of administration and control, the Board of Directors is responsible for the strategic guidance and supervision of the business as a whole, and has powers to direct overall administration and intervene directly in all major decisions necessary or useful for achieving the corporate purpose.

The Board of Directors is responsible for making the most important decisions of economic and strategic importance, or ones that have a structural effect on management, or that are functional to the Company's control and guidance.

In carrying out its duties, the Board of Directors is supported by specific internal committees, with the functions of giving instruction, submitting proposals and consulting.

On the Chairman's and the Chief Executive Officer's invitation, Board meetings are attended by management representatives who can provide the directors and the whole Board with in-depth knowledge of the Company's and Group's activities. During 2019, for instance, managers and/or strategic executives attended a number of Board meetings.

During 2019, the Board met 10 times, with an average attendance rate of 91.1%, and an average meeting duration of 2.5 hours; this frequency and the constant presence of the Board of Statutory Auditors enable the Board to act in a timely and effective manner. Any absences are announced and justified in advance.

According to the 2020 Corporate Events Calendar, which is available on the Company's website, four Board meetings will be held to approve the interim financial statements. So far this year, the Board met to examine the preliminary consolidated figures for the year ending 31 December 2019 on 14 February 2020, and met to approve the draft financial statements and the consolidated financial statements for 2019 on 12 March 2020.

The Chairman, assisted by the Lead Independent Director, ensures that for all topics to be discussed by the Board, directors receive in a timely manner the necessary documentation and information to enable them to assess and take informed decisions on the items under discussion, except in cases of urgency or when highly confidential matters are discussed. In this case, it is still ensured that the items on the agenda are exhaustively discussed.

In order to comply with the application criterion 1.C.5 of the current Code of Conduct for Listed Companies, the Board of Directors established the following timeframes within which documentation relating to the items on the agenda shall be shared: five days for interim financial statements; three days for documentation on other agenda items; one day for duly justified matters of particular urgency.

These time frames are generally complied with. When it is not possible to provide the necessary information with sufficient notice, the Chairman ensures that sufficient analysis is conducted during the Board sessions, and extends their duration for as long as necessary.

Board meetings may be held using telecommunication tools that allow all participants to take part in the debate and receive equal information.

Board meetings are called by the Chairman, one of the Vice-Chairman or two directors by letter, fax or e-mail sent at least three days in advance of the meeting to each director and statutory auditor to the fax number or email address provided. In cases of urgency, the Board meeting may be convened by telegram, fax or e-mail sent at least two days in advance of the meeting.

On 14 March 2019, pursuant to application criterion 1.C.1, letters g) and i) of the Code of Conduct, the Board of Directors gave a positive assessment of the size, composition and functioning of the Board itself and its committees, based on the results of the self-assessment questionnaire completed by the directors.

The questionnaires are completed anonymously and aim to obtain an objective and free assessment of the following operational aspects:

- functioning of the Board and its internal committees;
- Composition and skills of the Board and Board Committees, also in relation to the diversity criteria identified in art. 2 of the Code of Conduct;
- contributions made by the Board during the period;
- relations with executive directors and senior managers;
- self-assessment of individual performance.

These sections contain a series of questions, to which the Directors must attribute an assessment ranging from *strongly agree* to *strongly disagree*.

Finally, there is a section for suggestions and ideas for improvement.

The 2019 questionnaire was revised by the independent directors and amended with the assistance of Legal and Corporate Affairs to improve its efficacy and encourage Directors to express new considerations.

The independent directors met on this occasion to discuss the orientation and observations that emerged from these questionnaires, in order to identify the most significant information to be reported to the Board, including orientation regarding managerial and professional figures, whose presence on the Board is considered advisable.

### **Duties of the Board of Directors:**

The Gefran S.p.A. Board of Directors:

- examines and approves the Company's and Group's strategic, business and financial plans, regularly monitors their implementation, and determines the Company's system of corporate governance and the structure of the Group headed by the Company;
- defines the guidelines for the internal control system, and appoints a director to supervise the system, determining his/her duties and powers;

- supervises the risk management process, and sets the overall threshold of acceptable risk;
- assesses the appropriateness of the organisation, administration and general accounting structure of the Company and its subsidiaries of strategic importance;
- creates one or more internal advisory committees, appoints its members and establishes their duties, powers and remuneration;
- grants and revokes powers to the executive directors and the executive committee, if established, and determines their limits and how they are exercised; establishes the frequency, which must not exceed three months, for the executive bodies to report to the Board on the activities conducted in performing their duties;
- defines the general remuneration policy and, after examining the Remuneration Committee's proposals and consulting the Board of Statutory Auditors, approves the remuneration of executive directors and other directors with special duties, and, unless already done so by the Shareholders' Meeting, the division of the overall remuneration due to Board members;
- assesses general operating performance, taking particular account of information received from executive bodies and periodically comparing results forecast and results achieved;
- examines and approves in advance the operations of the Company and its subsidiaries, when these operations have strategic, economic, capital or financial importance, meaning all operations that have a significant financial effect;
- assesses, at least once a year, the size, composition and functioning of the Board and its various committees, possibly recommending the professions that should be represented on the Board;
- appoints the Supervisory Body pursuant to Legislative Decree 231 of 8 June 2001;
- appoints the manager responsible for preparing the corporate accounting documents, determines his/her responsibilities and powers, and identifies managers with strategic responsibility;
- appoints and revokes, on the proposal of the director responsible for supervising the internal control system, the Internal Audit Manager, and, after consulting the Control and Risks Committee and the Board of Statutory Auditors, determines his/her remuneration;
- assesses and approves transactions with related parties in accordance with the Company's procedure on Transactions with Related Parties;
- assesses and approves the periodic reports required by the laws in force;
- formulates proposals to submit to the Shareholders' Meeting;
- exercises the other powers and fulfils the duties attributed to it by the law and the By-laws.

The assessment of the organisation, administration and accounting structure of the Company and its subsidiaries of strategic importance, with particular reference to the internal control and risk management system, was submitted to the Gefran Board of Directors at the meeting held on 12 March 2019.

Specifically, the accounting methods adopted by the parent company and its subsidiaries, and the main tools (IT system and software) used in support of the administration and accounting structure for drawing up the consolidated financial statements were explained to the Board.

The internal control system adopted by the Company and its strategic guidelines were therefore outlined.

The company organisation was reviewed, in particular the organisational structure and the authority delegation system adopted by the Company.

Current intercompany agreements and significant centralised services concerning organisation, administration and accounting were also explained.

The Board gave its unanimous approval at the end of the meeting.

Pursuant to articles 15 and 18 of the Consob Regulation on Markets, the Company has adopted an internal procedure for identification of subsidiaries of strategic importance. In accordance with the criteria established in the regulations mentioned, these companies are identified by Administration and Finance and by Legal and Corporate Affairs, in cooperation with the Executive in charge of financial reporting.

Based on the above procedure, the subsidiaries currently considered strategic are: Gefran Siei Asia Pte Ltd, Gefran Siei Drives Technology Co. Ltd, Gefran Inc., Gefran Deutschland GmbH, Siei Areg GmbH, Gefran India Pvt Ltd, Sensormate AG, Gefran Soluzioni Srl, Gefran Drives and Motion Srl and Elettropiemme Srl.

The Shareholders' Meeting has not given prior authorisation to exceptions to the non-competition obligation pursuant to article 2390 of the Civil Code.

#### 4.4 EXECUTIVE BODIES

The Board has appointed among its members:

- Honorary Chairman Ennio Franceschetti, who is also the controlling shareholder, granted the following powers:

*“1) to perform a function of guidance in the definition of new strategies and the performance of extraordinary operations, particularly real estate purchases and transactions;  
2) to chair the Company's newly established scientific committee, contributing to the definition of guidelines for the development of new products and applications, in the context of the strategies and business plans resolved by the Board of Directors;  
3) to represent the Company in corporate meetings with public or private sector organisations of strategic relevance, reporting to the Board of Directors on the results;  
4) to sign the Company's ordinary correspondence within the framework of his powers, writing “Gefran S.p.A.” and “Honorary Chairman” followed by his signature.*

- Chairman Maria Chiara Franceschetti, who is granted powers of legal representation of the Company and the following powers:

*“a) planning the Group and the Company's activities, and specifically:*

*- relations with shareholders, and providing of information to shareholders;  
- indicating strategic guidelines for the medium to long-term development of the group's business, which the Chief Executive Officer will implement through operative plans, to be submitted to the Board of Directors for approval;  
- approving hiring and dismissal of employees in the first levels of the company's organisational structure proposed by the Chief Executive Officer (reporting directly to the Chief Executive Officer, to Directors and to the General Managers of subsidiaries);  
- acquiring all data and information considered necessary for performing the above functions from the CEO and the group's management structure;*

*b) to carry out banking and financial transactions, specifically:*

*1) to open and close current bank and postal accounts and securities accounts;  
2) to issue bank cheques, banker's drafts and money orders, give orders for payment either electronically or otherwise, withdraw bills of exchange and cash orders, sign orders and*

receipts to withdraw money from banks, financial institutions and post office savings accounts, and in general manage the Company's bank and postal accounts, including signing currency trading contracts and interest rate and currency hedge contracts up to a limit of EUR 2,000,000.00 (two million euro) per transaction or series of transactions related to the same party, using cash on hand or available credit lines, in compliance with the contractual provisions governing the relationships with these parties;

3) to transfer funds between the Company's various current accounts and make collections in the name and on behalf of the Company;

4) to issue bills of exchange, accept drafts and in general carry out any transactions involving bills of exchange related to the supply of goods and/or services to the Company, up to a limit of EUR 1,250,000.00 (one million two hundred fifty thousand euro) per transaction or series of transactions related to the same party;

5) to conduct transactions for the purchase or sale of own shares, within the limits and by the methods permitted by resolutions passed in meetings, and transactions in fixed-income securities up to and not beyond the limit of EUR 1,250,000.00 (one million two hundred fifty thousand euro) per transaction or per day;

6) to take out and issue loans of any kind, to or from any party and in any form, and provide collateral and personal guarantees up to EUR 2,000,000.00 (two million euro);

7) within the limit of EUR 2,000,000.00 (two million euro) per single transaction or set of transactions referring to the same subject matter, execute agreements with factoring companies and financial companies in general, defining all contractual terms and conditions and signing all the related deeds, including granting of credits, collection mandates, advance payment and discount transactions, provision of guarantees, issuance of receipts and carrying out transactions for transfer and/or pledging, both with and without recourse, the credits of the Company accrued and accruing, with the power to delegate the above-mentioned powers to third parties;

for higher amounts, joint signature with the Chief Executive Officer will be required.

c) to cash, withdraw, sign and dispatch, specifically:

1) to demand and receive any sums due to the Company in any form and for any reason, and to issue receipts for total or partial collection;

2) to collect from post, railway and transport offices any type of registered letter, package or parcel, and in general anything addressed to the Company, and issue receipts and quittances;

3) to sign the Company's ordinary correspondence within the framework of his powers, writing "Gefran S.p.A." and "Chairman" followed by his signature.

4) to despatch and collect letters, packages and parcels, including registered and insured ones;

d) to represent the Company and execute transactions with public and private bodies and subsidiaries, specifically:

1) to represent the Company before any civil, administrative or legal authority, with powers to sign appeals, propose and accept transactions, initiate lawsuits, appear as defendant or respondent, represent the Company in meetings of creditors, make proposals or credit claims in bankruptcy proceedings, accept settlements with customers and demand payment, negotiate any amounts or disputes up to a limit of EUR 250,000.00 (two hundred fifty thousand euro), reach settlements in disputes by arbitration or seek friendly settlements, final or otherwise, ensure the implementation of judgements, make, refer and accept conclusive and other sworn statements, promote foreclosures and seizures or other preventive acts against debtors and third parties and revoke the same;

2) to perform any transactions and represent the Company in any fiscal or administrative practice or dispute with any public official - state, regional or municipal - or any private office, in Italy and abroad, or tax revenue offices, and before administrative commissions of the first and second degree; to sign and file, electronically or otherwise, returns for direct and indirect taxes, Intrastat forms, tax and statistical forms and questionnaires, accept and reject assessments, reach agreements and settlements, challenge registrations, present petitions,

complaints and documents, appoint defence counsel for appeals and statements of defence before any tax office or commission, or at tax revenue offices or administrative commissions of the first and second degree, accept tax refunds, including interest, issue receipts, make payments with no limit on the amount and take any steps required to pay direct and indirect taxes, duties and fees, including social security contributions;

3) to represent the Company before any central or peripheral administrative authorities to obtain concessions, licences and authorisations;

4) to represent the Company before Consob, the Italian Stock Exchange, and Monte Titoli (settlement system), with the power to sign any kind of document, communication or notice, including press releases with price-sensitive contents, in accordance with the regulations and codes adopted by the Company;

5) to attend ordinary and extraordinary shareholders' meetings of subsidiaries as the representative of "GEFRAN S.p.A." and vote at his own discretion on the resolutions of these meetings;

6) to take the necessary steps in patenting procedures, including but not limited to requests for corrections, amendments, secrecy extensions and divisions, to propose or challenge administrative opposition, interference and administrative appeals, and to take any other steps required in applying for, obtaining and maintaining patents, to sign all the deeds required to execute the above powers, to appoint patent agents in Italy and abroad and grant them related mandates;

e) to handle the day-to-day administration of property, specifically:

1) to sign documents concerning the day-to-day administration of the Company's property and third-party property leased to the Company, and all connected and consequent operations;

2) to enter into, amend and terminate lease agreements covering third-party property and the Company's own property, with a maximum duration of nine years;

f) to enter into insurance contracts, specifically:

1) to enter into private insurance agreements or mandates, as the insured party, covering risks to the Company's assets (including credit insurance) and employees and third-party liability, and sign the insurance policies;

2) to make changes to these insurance agreements, in the event of damage suffered negotiate the amount of compensation due by the insurance company, and issue receipts for sums collected;

g) to enter into utility contracts, specifically:

1) to enter into, amend and terminate contracts covering the supply of any kind of utilities required for ordinary company management, and to represent the Company in dealings with companies supplying energy, telecommunications services and other services to businesses;

h) to enter into transport agreements, specifically:

1) to enter into, amend and terminate contracts with transport companies, shipping agents and other public or private bodies or entities, in Italy or abroad, that provide transport services for goods or people;

i) to buy movable goods not intended for resale or for industrial use, and specifically:

1) to purchase, lease, financially or otherwise, hire, loan or sell registered and unregistered movable assets, furniture and equipment up to a limit of EUR 250,000.00 (two hundred fifty thousand euro) per transaction;

l) to appoint and assign mandates to proxies, specifically:

1) to assign professional mandates of a non-continuous nature, within his powers;

2) to appoint special proxies for single acts or categories of acts within his powers;

m) to manage the Company's industrial activity, specifically:

1) to negotiate, finalise and enter into lease agreements up to a duration of nine years, and custody, storage and transport agreements connected with the Company's industrial activity;

2) to contract in and out work of any kind and enter into work contracts connected with the Company's industrial activity;

- 3) to negotiate, finalise and enter into agreements for the supply of goods and services connected with the Company's industrial activity;
- 4) to purchase, lease, sell and swap movable goods, machinery, plant and equipment connected with the Company's industrial activity, with the power to negotiate terms, conditions and fees, all up to a limit of EUR 500,000.00 (five hundred thousand euro) per transaction;
- n) to manage the Company's commercial activity, specifically:
  - 1) to finalise and execute contracts with customers and grant payment extensions, discounts and bonuses;
  - 2) to handle practices connected with the import and export of finished and unfinished products, and fulfil all the associated obligations;
  - 3) to purchase printed, advertising and propaganda materials, and enter into related supply contracts;
  - 4) to enter into and terminate mandate, commission, agency, distribution, brokerage and business procurement agreements;
  - 5) to demand and issue receipts for sums of money, cheques, bills of exchange, cautionary deposits, payment orders and anything else due to the Company;
  - 6) to reach compromises on disputed receivables, and grant discounts and allowances up to a limit of EUR 150,000.00 (one hundred fifty thousand euro) per operation;
  - 7) to lodge protests, apply for injunctions, promote cautionary or executive measures, file bankruptcy petitions, and intervene in bankruptcy or insolvency proceedings in general to recover amounts due to the Company."

In accordance with the succession plan for the Chief Executive Officer, on 16 December 2019 the Board of Directors also awarded the Chairman the following powers, to permit the company to continue to be fully operative following the Chief Executive Officer's resignation:

1. The power to hire and dismiss employees / managers costing the company more than 300 thousand euro.
2. The power to make payments, loans and factoring agreements worth up to 4 million euro, to sign bills of exchange worth up to 2.5 million euro, to conduct transactions in own shares and stocks worth up to 2.5 million euro, and to stipulate transactions worth up to 500 thousand euro.

In compliance with art. 2.P.6 of the Code, in view of the organisational complexity of the Gefran Group, note that the Board has granted administrative powers to the Chairman with the goal of permitting more effective implementation of the company's business and strategies.

Following the Chief Executive Officer's resignation on 2 December 2019, the Chairman also fills the position of Chief Executive Officer under the Code of Conduct of Listed Companies without creating a situation of "interlocking directorate". The Chairman is not the issuer's controlling shareholder.

- Vice Chairman Giovanna Franceschetti, with functions determined under art. 21 of the Company's By-laws, and specifically: "*Vice Chairmen shall have the power to sign for the company and act as its legal representative before third parties and in court in the event that the Chairman is absent or unable to perform these functions*"; she is also awarded the following powers:

*"She will be responsible for internal and external corporate communications, relations with the press office, management of digital communication channels, event organisation, corporate branding, and protection of the company's trademarks, all within an annual budget determined by the Board and in coordination with the Chief Executive Officer in order to ensure the compatibility of initiatives with total company costs and with the strategies defined;*

*she will coordinate the company's corporate social responsibility initiatives, and be in charge of public relations and reporting, also in view of the future adoption of a sustainability balance; within the limits of the powers granted, she may stipulate contracts and award appointments committing the company to a maximum expenditure of EUR 50 thousand per transaction; to sign the Company's ordinary correspondence within the framework of his powers, writing "Gefran S.p.A." and "Vice Chairman" followed by his signature.*

- Vice Chairman Andrea Franceschetti, with functions determined under art. 21 of the Company's By-laws, and specifically: *"Vice Chairmen shall have the power to sign for the company and act as its legal representative before third parties and in court in the event that the Chairman is absent or unable to perform these functions"*; he is also awarded the following powers:

*"He will be responsible for relations with trade associations, representing the Company and participating in meetings, observatories and committees concerned with the sectors in which the company works, for the purpose of monitoring economic scenarios, technical and regulatory updates and technological innovations, reporting to the General Managers of Business Units and to the Honorary Chairman on the work performed; he will participate in the principal national and international trade fairs in the fields in which the Company works, and in seminars and conventions of interest, interfacing with the General Management of the Business Units concerned and with the Honorary Chairman to discuss market trends and the orientation of customers and competitors; to sign the Company's ordinary correspondence within the framework of his powers, writing "Gefran S.p.A." and "Vice Chairman" followed by his signature.*

In accordance with the recommendations of criterion 1.C.1. of the Code of Conduct and section 2381, paragraph five of the civil code, the delegated bodies will provide the Board of Directors with quarterly reports on the work performed in the areas delegated.

#### **4.5 OTHER EXECUTIVE DIRECTORS**

On 16 December 2019 Director Marcello Perini was appointed as the director responsible for the internal control and risk management system, so he must be considered an executive director.

#### **4.6 INDEPENDENT DIRECTORS**

Three of Gefran's four non-executive directors in office as of the date of this Report are independent, meaning that they do not or have not recently had, either directly or indirectly, significant relations with the Company or with parties related thereto, of a nature likely to affect their independent judgement.

In accordance with the procedure adopted by the Board to verify independence, this requirement shall be disclosed by the director when his/her candidacy for the charge is submitted. Independent directors also undertake to inform the Board promptly should any situation occur affecting this independence, and consequently resign from their charge. The Board repeats the assessment of independence when it becomes aware of important circumstances, such as the taking up of new positions.

The Board of Directors appointed on 20 April 2017 assessed the existence of the requirements of independence in the meeting held on the same date, and the result of the assessment was announced to the market on the same day, 20 April 2017, in a notice published as required by law.



The Board of Statutory Auditors has verified the correct application of the assessment criteria and procedures adopted by the Board to ensure the independence of its members, and has included the results in its report to the Shareholders' Meeting.

The independent directors were convened by the Lead Independent Director and met once during the year, supported by the company secretary and without the presence of the other directors, in order to assess company performance and the functioning of the Board of Directors.

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

On 20 April 2017 Independent Director Daniele Piccolo was appointed Lead Independent Director.

The appointment of a Lead Independent Director was necessitated by the fundamental role of the former Chairman (currently Honorary Chairman), who is also the Company's controlling shareholder, to whom the Board had granted powers of ordinary and extraordinary management, given his extensive experience, professional expertise in the industry and in-depth knowledge of the Company. The figure of Lead Independent Director has been maintained following the April 2018 change in governance.

The Lead Independent Director acts as a point of reference and coordination for petitions and contributions made by non-executive and independent directors, thereby ensuring independence of judgement from management.

The Lead Independent Director has the power to call meetings of the independent directors, autonomously or in response to the request of the other directors, to discuss issues relevant to the operation of the Board or the management of the company.

Independent directors' meetings are duly minuted.

### **5. HANDLING OF CORPORATE INFORMATION**

The Company considers it essential to maintain dialogue with investors, safeguard confidential documents and information, and ensure transparency. By Board resolution dated 20 March 2006, as subsequently amended on 09 February 2017, the Company adopted the "Rules for managing inside information", which lays down rules and procedures on inside information within the organisation, in compliance with Legislative Decree 58/98 of the TUF, the Consob regulation and the rules issued by the Italian Stock Exchange.

The regulation also establishes the rules and procedures on company disclosure of information to the public, to ensure that it is disseminated to all investors in a global, timely, complete and appropriate manner. In this regard, the information is issued via press releases, meetings with the financial community and the press, as well as extensive and constantly updated documentation made available on the website [www.gefran.com](http://www.gefran.com), in the investor relations section.

The Company's internal regulations govern procedures for keeping and updating the "*Register of persons with access to inside information*", and the Company appoints a person to keep the register at the Legal Department and a substitute for the Investor Relations Manager.

The Chief Executive Officer oversees application of the procedures regarding company information and coordinates the internal departments involved.

In accordance with the Code of Conduct, on 20 March 2006 the Company approved its “*Internal Dealing Code*”, as subsequently amended by a Board resolution issued on 3 August 2017 containing provisions relating to disclosure obligations and limits relating to transactions on financial instruments issued by Gefran S.p.A. and conducted by relevant persons, expressly defined in the Regulation, based on the parties’ access to price-and-business sensitive information through the positions they hold.

## **6. INTERNAL BOARD COMMITTEES (pursuant to article 123-bis, paragraph 2, letter d), TUF)**

The Company’s Board of Directors has established the following committees from among its members:

- i. Control and Risks Committee;
- ii. Appointments and Remuneration Committee (Remuneration Committee prior to 14.03.2019).

The committees perform their duties through meetings, the minutes of which are filed among the Company’s documents. Each committee has access to the corporate information and departments necessary to perform their duties, and may also use external consultants.

The Committees Chairmen report to the Board about their activities and assessments at the next meeting.

## **7. APPOINTMENTS COMMITTEE**

On 14 March 2019 the Company’s Board of Directors transformed the existing Remuneration Committee into an Appointments and Remuneration Committee, awarding it the powers identified in art. 5 of the Code of Conduct in addition to the powers it held previously.

The Committee expresses its opinion to the Board of Directors regarding the size and composition of the Board, and makes recommendations for the professional figures required on the Board.

The Committee proposes candidates for the office of director to the Board of Directors when a director must be co-opted and an independent director must be replaced.

The Committee performs preliminary proceedings regarding the preparation of Executive Recovery Plans for executive directors, keeping them up-to-date at all times and suggesting to the Board any changes that may be necessary. If the Executive Recovery Plan is implemented, the Committee, acting in agreement with the executive directors, determines the characteristics and competences of potential candidates for succession and identifies profiles of suitable candidates to be suggested to the Board of Directors for co-opting.

Once a year, the Committee checks:

- a) that the company has an Executive Recovery Plan in place for its key executives;
- b) identification of potential in-house candidates for natural successions to the post of CEO and their managerial background, with constant observation of the external market;
- c) the process of talent identification and development, a summary of which is presented by the CEO assisted by the Chief People & Organization Officer once a year.

Information on Committee membership is provided in point 8 below.

## 8. APPOINTMENTS AND REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee composed of three non-executive directors, the majority of which are independent directors, who will remain in office until the approval of the 31 December 2019 financial statements. At the time of its appointment, the Board believed that the Committee's members included persons with sufficient financial know-how and experience.

The Directors currently sitting on the Committee are:

Office	First name and surname
Independent Director Committee Chairman	Daniele Piccolo
Independent Director	Monica Vecchiati
Non-executive Director	Romano Gallus

Information on the Committee's role and functioning is provided in the Remuneration Report published pursuant to article 123-ter of the TUF.

As detailed in the previous section, on 14 March 2019 the Committee was transformed into the Appointments and Remuneration Committee, taking on the additional functions identified in art. 5 of the Code of Conduct.

## 9. DIRECTORS' REMUNERATION

Information on directors' remuneration is provided in the Remuneration Report published pursuant to article 123-ter of the TUF.

## 10. CONTROL AND RISKS COMMITTEE

The Control and Risks Committee (formerly the Internal Control Committee) comprises three independent directors, all experts in accounting and finance and/or risk management. The composition of the committee was considered appropriate by the Board of Directors, which appointed the members.

All committee members will remain in office until the end of the Board's mandate, that is until the approval of the financial statements for the year ending 31 December 2019.

The Directors currently sitting on the Committee are:

Office	First name and surname
Independent Director Committee Chairman	Daniele Piccolo
Independent Director	Monica Vecchiati
Independent Director	Mario Mazzoleni

In addition to assisting the Board in the operations listed in the relevant section, the Committee is responsible for:

- a) assessing, in conjunction with the Executive in charge of financial reporting and after consulting the external auditor and the Board of Statutory Auditors, the correct use of accounting standards and their uniform application in drawing up the consolidated financial statements;
- b) issuing opinions on specific aspects relating to the identification of key corporate risks;
- c) reviewing the periodic reports that assess the internal control and risk management system, as well as particularly significant reports provided by the Internal Audit department;
- d) monitoring the independence, adequacy, effectiveness and efficiency of the Internal Audit department;
- e) asking the Internal Audit department to carry out checks on specific operating areas, duly informing the Chairman of the Board of Statutory Auditors thereof;
- f) reporting to the Board of Directors at least every six months, when the annual and half-yearly financial statements are approved, on the activities undertaken and on the adequacy of the internal control and risk management system
- g) expressing an opinion on the performance of the duties entrusted to the Board by the Code in relation to internal control and risk management; this opinion is binding for decisions concerning the appointment, revocation, remuneration and resources allocated to the Internal Audit Manager.

The Committee has access to the company information and divisions necessary to perform its tasks, and may make use of external consultants, as established by the Board of Directors.

Following the enactment of Legislative Decree 39/2010, which identifies the Board of Statutory Auditors as the “internal control and auditing committee”, some of the supervisory functions attributed to the Control and Risks Committee are shared with the Board of Statutory Auditors, and are carried out in a coordinated manner.

The Board of Directors has also allocated to the Control and Risks Committee the duties and functions that the new regulation on transactions with related parties assigns to independent directors, in particular the task of conducting an examination in advance of the procedure adopted by the Company (and any changes to it) and executing it.

Over 2019, the Committee held five meetings lasting an average of 1.5 hours, which were attended by all members.

The meetings are duly minuted.

The meetings, when required, were attended by members of the departments involved in the internal control system, as well as the auditing firm, for specific agenda items. In accordance with the Code of Conduct, the committee meetings were also attended by the director responsible for the control and risk management system, the Executive in charge of financial reporting, the Chairman of the Board of Statutory Auditors, and sometimes the entire Board of Statutory Auditors.

The Committee examined the following matters, among other things, during their meetings:

- the draft financial statements and the consolidated financial statements for 2018, the 2019 half-yearly financial statements, the results of audits on the financial statements and the half-yearly report;
- the 2019 Audit Plan, the status of auditing activities and the results, as well as the structure of the Company's internal control system.

In 2020, the Committee has so far met on two occasions, and is expected to meet at least every quarter until the end of the year.

## 11. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In drawing up strategic, business and financial plans, Gefran's Board of Directors assessed the nature and level of risks compatible with its strategic objectives. The Board also drew up guidelines for the internal control and risk management system, in order to ensure that the risks monitored and the strategic objectives identified were compatible.

In 2019, the Board also assessed the appropriateness of its internal control and risk management system based on the Company's characteristics and the specific risks relating to its activity that is perceived as significant.

Gefran's Risk Assessment was conducted as follows:

- Definition and discussion of the risk-based risk assessment method.
- Development of the Group's Risk Model (external risk, financial risk, strategic risk, governance and integrity risk, operative and reporting risk, legal risk and compliance risk, IT risk, human resources risk).
- Conducting a risk assessment through interviews with Management aimed at identifying and assessing the risks to which the Group is exposed, classifying them on the basis of their impact, probability and the existing risk management system.

This was followed by:

- Construction of the Audit Universe through the identification of significant processes / areas for Gefran S.p.A. and its subsidiaries to be submitted for audit.
- Development of a 2020 Audit Plan to be submitted to the Board of Directors for approval, taking the following elements into account:
  - the results of the Risk Assessment conducted between October and December, which identified 11 strategic and operative top risks;
  - the audit measures adopted in the three (3) previous years, in order to ensure complete coverage of processes in Gefran Spa and its subsidiaries over a period of about five years;
  - specific compliance and assurance requirements expressed by the relevant functions and various reports (e.g.: 231, 262);
  - any other requests from senior management or control bodies (e.g.: Supervisory Body, the Executive in charge of financial reporting pursuant to Law 262, CRC, etc.).

## **Main features of the existing internal control and risk management system in relation to the corporate reporting process**

The internal control system adopted by the Company and its subsidiaries consists of a series of rules, administrative and accounting procedures and organisational structures, aimed at achieving - via an adequate process of identifying, measuring, managing and monitoring the main risks – the objectives relating to the financial information process, such as completeness, reliability, accuracy, truthfulness and timeliness of reporting.

The internal control system establishes the following roles:

- the Executive in charge of financial reporting, who is directly in charge of the control model pursuant to Law 262/2005 and the related administration and accounting procedures, and is responsible for updating it regularly in relation to financial reporting risk assessment and regulatory issues, and for verifying the effectiveness of the underlying procedures;
- the director responsible for the internal control and risk management system;
- the process managers, General Managers and Financial Controllers of foreign subsidiaries, who play a direct role in executing controls, applying the administrative and accounting procedures, implementing measures in the improvement plan and issuing the necessary statements, and an indirect role in updating the system of procedures, in concert with the Executive in charge of financial reporting;
- the Internal Audit department, which is currently involved directly in verifying and following up improvement measures.

Pursuant to article 154-bis of Legislative Decree 58/1998 (the “TUF”), which was introduced by Law 262/2005 and provides for the position of Director responsible for preparing the Executive in charge of financial reporting (hereinafter the “Executive in charge of financial reporting”), the Board of Directors of Gefran, upon favourable opinion issued by the Board of Statutory Auditors, on 27 September 2013, appointed Fausta Coffano as the person in charge of preparing the accounting statements, the Group’s Chief Financial Officer.

Starting from 2007, the Board of Directors also implemented general procedural provisions, agreed upon beforehand with the Executive in charge of financial reporting, covering the activities which this officer is required to carry out by law, with particular regard to the means and powers granted thereto, in relation to both the Company and its subsidiaries (including the possibility of using the Internal Audit department to carry out major checks, inspections and other audits within the limits of its independence in terms of functions and activities).

Gefran has adopted a series of administrative and accounting procedures to ensure that the financial reporting generated by the internal control system is reliable.

The Company uses policies, procedures and operating instructions to guarantee an effective flow of information from the subsidiaries. These include the Group’s Accounting Policies (rules for using and applying international accounting standards), the Group Reporting Manual, the Group Accounting Manual, procedures for creating and disclosing financial information, and other procedures for drawing up the consolidated financial statements and the interim financial reports (including the chart of accounts, the consolidation procedure and the procedure covering transactions between related parties). Subsidiaries may access all policies, procedures and accounting regulations through the Group Intranet site.

IT processes are managed through a segregation of duties access control policy.

The reference models adopted in the design and executive phases were: the COSO Report (*Committee of Sponsoring Organization of the Treadway Commission Report*) and the COBIT (*Control Objectives for IT and related technology*), both acknowledged in international best practice.

In particular, the Company referred to the COSO framework to identify the main risks and, consequently, the main controls to be implemented to mitigate the risks identified and ensure that the internal control system operates effectively.

Companies of strategic importance were identified through a risk assessment based on quantitative criteria, which also required the use of various parameters relating to the Group's results and equity, and on qualitative criteria that considered internal and external, operating and business risks, which can have a significant effect on financial reporting in the absence of controls.

As with the Parent Company, for each of the Group's subsidiaries, Internal Audit conducts an independent assessment of the effectiveness of previously identified key controls, supported by the Executive in charge of financial reporting in relation to her specific duties.

The areas of improvement identified by the controls are illustrated by the department responsible (Internal Audit) to the Chief Executive Officer (who also acts as Director in charge of the internal control and risks system), the Control and Risks Committee and the Board of Statutory Auditors at Control and Risks Committee meetings, by sharing audit reports and action plans.

The Control and Risks Committee reports every quarter to the Board of Directors on the status of activities, through presentations prepared by Internal Audit.

An action plan was jointly drawn up and agreed on with each Group company to strengthen the current control system and correct any specific deficiencies identified. The implementation of the measures agreed is monitored constantly by Internal Audit, which reports to the director responsible, the Control and Risks Committee and the Board of Statutory Auditors.

To comply with the provisions of Law 262/05, the Company has adopted a centrally coordinated assessment and certification system to monitor the appropriateness and effectiveness of the internal control system, including in the definition thereof controls relating to the financial reporting area.

The Chief Executive and the Financial Controller of each Group subsidiary, as well as the heads of the main central departments and functions, are responsible for maintaining an appropriate internal control system by conducting regular assessments of key controls, based on criteria of efficiency and effectiveness.

The management of each subsidiary is required to sign a quarterly statement confirming that the internal control system is operating correctly. Once signed, the statement is sent to the Chief Financial Officer (the executive in charge of financial reporting) and the Chief Executive Officer.

The Executive in charge of financial reporting ensures that senior management receives, at least every six months when the half-yearly and annual financial statements are prepared, information on the implementation and monitoring of the control model pursuant to Law 262/2005, with reference to the results of inspections and other related activities, in addition to regular information relating to the results of any independent checks conducted by Internal Audit.

In line with the policy of continuous improvement and adjustment, the Group has launched a review of the control model pursuant to Law 262/2005 in order to re-examine the hierarchy of

controls regarding financial reporting risks and to further redefine and cyclically modulate testing activities, thereby guaranteeing its overall effectiveness.

### **11.1 Executive Director responsible for the internal control and risk management system**

The Board of Directors had identified the former Chief Executive Officer Alberto Bartoli as the executive director in charge of overseeing the functioning of the internal auditing system, and following his resignation, this power was allocated to director Marcello Perini. This decision appears to be in line with the provisions of the Code of Conduct, best practice and the Company's organisational structure, within which the Internal Audit Department reports directly and hierarchically to the Board of Directors.

In performing her duties, the director responsible:

- a) identified the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and regularly submitted them to the Board of Directors for review;
- b) implemented the guidelines defined by the Board of Directors, taking care of the planning, implementation and management of the internal control and risk management system, and constantly verified its appropriateness and effectiveness;
- c) adapted the system to changes in operating conditions and the legislative and regulatory framework;
- d) asked the Internal Audit Department to assess specific operating areas and compliance with the internal rules and procedures in the running of Company operations, and reported the results to the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors;
- e) reported promptly to the Control and Risks Committee (or the Board of Directors) any problems or critical issues arising in the performance of her duties, or made known to her, to allow the Committee (or the Board) to take the necessary steps;
- f) designated the current Internal Audit Manager and set her fee, subject to the approval of the Control and Risks Committee and having consulted the Board of Statutory Auditors.

### **11.2 Internal Audit Manager**

By resolution issued on 13 February 2020, with the favourable opinion of the Control and Risks Committee and after consulting with the Board of Statutory Auditors, the Board of Directors appointed Emma Marcandalli, Managing Director of Protiviti S.r.l., an external party to the Company who meets the requirements of autonomy, independence, professionalism and organisation, as Internal Audit Manager for 2020.

Emma Marcandalli is not responsible for any operational areas, and is hierarchically independent from the Board of Directors in the performance of her duties. Protiviti S.r.l. was tasked with conducting internal audit activities for 2020.

The Executive Director responsible for the Control and Risk Management System, in concert with



the Board of Directors, considered it appropriate to entrust external parties with substantial expertise and experience with the mandate in question, since the size of the Gefran Group is not such that it can effectively support an Internal Audit organisational structure within the Company.

By resolution of 13 February 2020, on the proposal of the Executive Director responsible for the Control and Risk Management System, subject to the favourable opinion of the Control and Risks Committee and having consulted the Board of Statutory Auditors, the Board of Directors approved the fee payable to Emma Marcandalli for her duties as Internal Audit Manager, and guaranteed the availability of adequate resources. The Board also approved the fee for the external consultants tasked with providing support to the Internal Audit Manager.

The 2020 Audit Plan was approved at the same meeting.

The Audit Plan prepared for 2020 is intended to supplement the existing internal control and risk management system with adequate internal auditing activities, concentrating the work in areas which, due to the number and critical nature of the risks identified, could have a significant impact on achievement of the company's targets.

The Internal Audit Manager, either in person or through the designated consulting firm:

- checks the operation and appropriateness of the internal control and risk management system, both continuously and in relation to specific requirements, in compliance with international standards, using the audit plan approved by the Board of Directors which is based on a structured analysis of the main risks;
- has direct access to all the information required to carry out her duties;
- prepares regular reports providing appropriate information on her activities, the risk management methods used and compliance with the plans drawn up to reduce risks, as well as an assessment of the suitability of the internal control and risk management system. These are submitted to the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Directors, as well as to the Executive Director responsible for the internal control and risk management system;
- assesses the reliability of IT systems, including accounting systems, as part of the Audit Plan.

The activities conducted in 2019 were intended:

- to conduct the audits set out in the 2019 Audit Plan;
- to propose solutions to any observations made;
- to check the measures adopted to fulfil the requirements identified during previous audits or risk assessments;
- to assess any other risk factors and related measures to be introduced as the result of changes in the organisation or in the law.

### **11.3 Organisational Model pursuant to Legislative Decree 231/2001**

At its meeting held on 13 February 2008, the Board of Directors adopted its own Organisational Model in accordance with Legislative Decree 231/2001.

Following a series of updates and reviews, the latest version of this model was approved by the Board on 13 November 2019, with amendments intended to bring it into line with changes in the laws.

The review of the Model took into account the extension of Companies' administrative liability to include new offences, and changes in the Company's organisational structure following adoption of the new model.

The Company has therefore drawn up a model that complies with the guidelines resulting from the analysis and mapping of company processes at risk of an offence, is consistent with the Company's particular characteristics, and therefore fulfils the effectiveness requirements set out by law.

The Model adopted by the Company comprises the following documents:

a) Code of ethics: contains the general principles of conduct, also in accordance with Legislative Decree 231/2001 (transparency, probity and loyalty), on which the conducting of business is based, and also indicates the aims and core values of the business activities. The document is published in the *Investor Relations/Corporate Governance* section of the website [www.gefran.com](http://www.gefran.com) and on the Company's Intranet.

b) Organisational Model: comprises a General Section describing the content of the Decree and the aims of the Model, and a Special Section, which contains general rules to be followed by the Model's recipients, a list of areas of activities at risk and various sections dedicated to the relevant categories of offences. The document is published in the *Investor Relations/Corporate Governance* section of the website [www.gefran.com](http://www.gefran.com) and on the Company's Intranet.

c) Procedures Manual: for all the main risk areas mapped, this governs:

- roles and responsibilities of the parties involved;
- procedures for making decisions/granting authorisations;
- methods of managing and controlling activities at risk.

The document is published on the Company's Intranet.

d) Group Whistleblowing Procedure: this procedure was approved by the Board of Directors on 13 November 2018 with the aim of regulating reporting of unlawful conduct of significance for the purposes of Legislative Decree no. 231 of 8 June 2001 and founded on specific, concordant facts or on violations of the Management and Organisation Model of Gefran S.p.A. and its subsidiaries in Italy and abroad.

The document is published on the Company's Intranet and on its web site.

As set forth in Legislative Decree 231/2001, the Board of Directors has also appointed a Supervisory Board made up of attorney Nicla Picchi (Chair) and Monica Vecchiati, providing it with regulations and suitable means to enable it to operate.

The Supervisory Board may use external consultants to perform the necessary risk assessments and audits.

It has the duty of monitoring the functioning of and compliance with the Model.

It is also responsible for advising the Board of Directors to make the necessary changes to the Model in the event of changes to the legal framework, the methods of implementation and the

type of business activities. The Supervisory Board reports its control activities and their results to the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors.

The Gefran Board of Directors decided not to assign the functions of the Supervisory Board to the Board of Statutory Auditors.

The subsidiaries Gefran Soluzioni S.r.l. and Gefran Drives and Motion S.r.l. have likewise adopted an Organisation and Management Model under Legislative Decree 231/2001 and have their own Supervisory Body.

#### **11.4 External auditor**

The independent audit is conducted by a company appointed by the Shareholders' Meeting from among those included in the register kept by Consob.

The external auditor is currently PRICEWATERHOUSECOOPERS SPA, appointed at the Shareholders' Meeting of 21 April 2016 to conduct, for the years 2016 through 2024, the independent audit of the consolidated and separate financial statements, pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010, and the limited external audit of the condensed half-yearly financial statements.

As required by law, the mandate was granted based on a reasoned proposal put forward by the Board of Statutory Auditors, following an in-depth technical and economic evaluation.

#### **11.5 Executive in charge of financial reporting**

After consulting the Board of Statutory Auditors, the Board of Directors appoints the Executive in charge of financial reporting, and determines his/her fees and term of office. It also ensures that he/she has appropriate powers and means to perform the duties attributed thereto pursuant to article 154-bis of Legislative Decree 58/98, and that administrative and accounting procedures are complied with.

The Executive shall meet the professional requirements of having at least three/five years' qualified experience in administration and control or in management or advisory roles, at listed companies and/or related groups of businesses, or companies, organisations or businesses of a significant size and importance, in the preparation and control of accounting and corporate documents. The Board ascertains that he/she meets the requirements established by law and the by-laws at the time of his/her appointment.

On 27 September 2013, with the favourable opinion of the Board of Statutory Auditors, the Board of Directors appointed Fausta Coffano, the Group's Chief Financial Officer, as Executive in charge of financial reporting, pursuant to article 154-bis of Legislative Decree 58/98.

The Executive in charge of financial reporting and the Chief Executive Officer issue a specific report attached to the separate annual financial statements, the consolidated financial statements and the condensed half-yearly financial statements attesting to the adequacy and actual application of the administrative and accounting procedures, and to the fact that these documents correspond to the figures contained in the corporate accounting records, and provide a true and fair representation of the equity, economic and financial position of the Company and the companies included in the scope of consolidation.

The Executive in charge of financial reporting also issues a statement certifying that the interim accounting information (e.g. interim reports on operations and/or press releases to the market) corresponds to the documents, books and accounting records of the Company and the companies included in the scope of consolidation.

The Executive has the following resources and powers:

- to directly access all information for the production of accounting data;
- to establish direct contact with the external auditors, the Control and Risks Committee and the Board of Statutory Auditors;
- to acquire, control and check information and news at equivalent or higher hierarchical levels, and also at lower hierarchical levels which do not report directly to the director; these powers may also be exercised in respect of subsidiaries and the corporate hierarchies of the companies included in the scope of consolidation;
- to use internal communication channels to ensure the correct flow of intercompany information;
- to use all the offices, facilities and specialised personnel under the Accounting, Finance and Control department;
- to propose/assess all the procedures implemented within the Company;
- to draw up administrative and accounting procedures;
- to make use of management control tools, including IT equipment (hardware and software), up to a spending limit of EUR 25,000.00;
- to assign duties, responsibilities and time frames for collecting and checking information;
- to make use of independent specialist consultants to address specific issues, and assign professional duties up to a spending limit of EUR 50,000.00;
- to attend conferences, training seminars and refresher courses;
- to summon staff, at her own discretion, to update and train them, and raise awareness of their obligations.

## **11.6 Coordination between parties involved in the internal control and risk management system**

Through regular meetings and information flows, the Company co-ordinates all the parties involved in the internal control and risk management system (Board of Directors, the Director responsible for the control and risk management system, the Control and Risks Committee, the Internal Audit Manager, the Executive in charge of financial reporting, the Board of Statutory Auditors, and other corporate functions with specific duties in relation to internal control and risk management), in order to maximise the efficiency of the internal control and risk management system implemented by the Company, and enable a uniform assessment thereof.

## **12. DIRECTOR'S INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

During its meeting on 3 August 2017, the Gefran Board of Directors approved the "Regulation for transactions with related parties" in application of Consob resolution No. 17221 dated 12 March 2010. This regulation is published in the "Governance" section of the web site [www.gefran.com](http://www.gefran.com).

The regulation is based on the following general principles:

- 1) ensuring the essential and procedural transparency and probity of transactions with related parties;

2) to provide directors and statutory auditors with an appropriate assessment, decision-making and control tool regarding transactions with related parties.

The regulation is structured as follows:

- Part one: definitions (related parties, significant and insignificant transactions, intercompany, ordinary, of negligible amount, etc.);
- Part two: procedures to approve significant and insignificant transactions, exemptions;
- Third section: disclosure obligations.

For comments on transactions with related parties, see the section entitled “Transactions with related parties” in the notes to the annual financial statements.

The procedure in question was updated in 2017 in order to improve some of the definitions contained therein.

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

Article 23 of the Gefran By-laws, amended by Board resolution on 1 October 2012 to guarantee gender balance within the management bodies pursuant to Law 120/2011, states that:

*“The Board of Statutory Auditors is composed of three standing auditors and two deputy auditors.*

*Auditors shall remain in office for three years, until the date of the Shareholders’ Meeting called to approve the financial statements for the final financial year of their mandate, and may be re-elected. Their remuneration for the whole duration of their mandate is determined by the Shareholders’ Meeting when they are appointed.*

*Statutory Auditors must possess the pre-requisites established by law and other applicable regulatory provisions. Concerning professional requirements, the Company strictly operates in the following areas and business sectors: electronic automation for the Sensors industry and industrial Components.*

*The members of the Board of Statutory Auditors are subject to the limit on the number of appointments held on boards of directors and statutory auditors established by Consob regulations.*

*The Shareholders’ Meeting appoints the Board of Statutory Auditors based on lists submitted by the shareholders, following the procedures set out below, without prejudice to any different and additional provisions provided by binding laws or regulations.*

*Minority shareholders – who are not part of any associative relationship, even indirectly, pursuant to Article 148, paragraph 2 of Legislative Decree 58/1998 and related regulations – have the right to elect one standing auditor, who will be Chairman of the Board of Statutory Auditors, and one deputy auditor. Minority statutory auditors are elected at the same time as the other members of the board, with the exception of replacements, as provided for below.*

*Lists for appointment of Statutory Auditors may be presented by shareholders who, at the time of presentation of the list, hold a share, alone or with other presenting shareholders, at least equal*

to that identified by Consob<sup>2</sup>. in art. 147-ter, paragraph 1, of Legislative Decree 58/1998 and in accordance with the provisions of the Issuers' Regulation approved by resolution no. 11971 on 14 May 1999 as amended.

*Lists should be filed at the company's registered office at least twenty-five days prior to the Shareholders' Meeting called to appoint the Board of Statutory Auditors. They should also be published in accordance with the legal provisions in force at least twenty-one days prior to the same date.*

*The lists should contain the names of one or more candidates for the office of standing auditor and one or more candidates for the office of deputy auditor. The names of candidates shall be marked by a progressive number, and the number shall not exceed the members of the board to be elected.*

*If binding criteria relating to gender quotas are applicable, every list that presents at least three candidates must contain a number of candidates of the less represented gender at least equal to the minimum required by the provisions in force at the time.*

*Additionally, the lists should contain, also annexed, the information, statements and other documents required by law and by applicable regulatory provisions.*

*If by the deadline for the submission of lists, only one list has been submitted, or only lists have been submitted by shareholders associated with one another under applicable provisions, lists may be submitted within the terms established by law. In this case, the threshold mentioned above for submitting lists is reduced by half.*

*Shareholders may not submit nor vote for more than one list, even through a third party or a trust company. Shareholders belonging to the same group and shareholders who enter into a shareholders' agreement regarding the issuer's shares may not submit or vote for more than one list, even through a third party or a trust company. A candidate may be present on only one list, or else be deemed ineligible.*

*Statutory auditors are elected as follows: (i) from the list that obtained the highest number of votes ("Majority List"), two standing auditors and one deputy auditor are taken, based on their progressive number on the list; (ii) from the list that received the second highest number of votes ("Minority List"), which is not linked, even indirectly, to the shareholders who submitted or voted for the Majority List pursuant to applicable provisions, one standing auditor, who shall be the chairman of the Board of Statutory Auditors ("Minority Auditor"), and one deputy auditor ("Minority Deputy Auditor") are taken, based on their progressive number on the list. If the lists receive an equal number of votes, the winning list shall be the one submitted by the shareholders with the highest shareholding at the time the list is submitted or, subordinately, by the highest number of shareholders.*

*If the Board of Statutory Auditors formed in this way does not include a standing auditor of the less represented gender, if required by the legislation in force at the time, the last candidate elected from the majority list shall be replaced by the first unelected candidate of the same list belonging to the less represented gender. Where this is not possible, the standing auditor of the less represented gender shall be appointed by the Shareholders' Meeting by the majority required by law, replacing the last candidate of the majority list.*

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<sup>2</sup> For 2019, the percentage was 2.5% of the share capital

*If only one list is submitted, the Shareholders' Meeting shall vote on it and if it obtains a relative majority of votes, without taking into account abstentions, all candidates on the list shall be elected to their positions as standing and deputy auditors. The Chairman of the Board of Statutory Auditors shall be the first candidate for the position of standing auditor.*

*If the Board of Statutory Auditors formed in this way does not include a standing auditor of the less represented gender, if required by the legislation in force at the time, the standing auditor of the less represented gender shall be appointed by the Shareholders' Meeting by the majority required by law, replacing the last candidate of the single list.*

*In the absence of lists, the Board of Statutory Auditors and the Chairman shall be appointed by the Shareholders' Meeting by the ordinary majority required by law, without prejudice to the obligation to appoint at least one standing auditor of the less represented gender, if required by the legislation in force at the time.*

*If for any reason the Majority Auditor is not available, he/she shall be replaced by the deputy auditor taken from the Majority List.*

*If for any reason the Minority Auditor is not available, he/she shall be replaced by the Minority Deputy Auditor.*

*When the Shareholders' Meeting is asked to appoint members to the Board of Statutory Auditors to replace auditors elected from the Minority List, where allowed by applicable provisions, appointments shall be by relative majority. The votes of shareholders who hold - according to the communications made pursuant to the laws in force, and also indirectly or jointly with other shareholders that have entered into significant shareholders' agreements pursuant to Article 122 of Legislative Decree 58/1998 - the relative majority of the votes that can be exercised at the Shareholder's Meeting, as well as shareholders who control, are controlled or are subject to joint control by the aforementioned, are not taken into account.*

*In any event, the new Minority Auditor shall also take on the role of Chairman.*

*In the event that any standing auditor is replaced, gender balance obligations, to the extent that these are provided for by the legislation in force at the time, shall remain binding".*

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-bis, paragraph 2, letters d) and d-bis) of the TUF)**

The Board of Statutory Auditors in office as of 31 December 2019 was appointed at the Shareholders' Meeting of 24 April 2018 using the list system, specifically with the only Majority List, submitted by the shareholder Fingefran S.r.l. on 30 March 2018, which held a total of 8,164,080 Gefran S.p.A. ordinary shares, equal to 56.695% of the share capital.

The current Board shall remain in office until the date of the Shareholders' Meeting to approve the financial statements for the year ending 31/12/2020.

The list included the following candidates:

##### Standing auditors:

1. Marco Gregorini

2. Roberta dell'Apa
3. Primo Ceppellini

Deputy auditors

4. Guido Ballerio
5. Luisa Anselmi

This list received 9,347,650 votes, representing 64.91% of the share capital.

For information on adoption of diversity policy, refer to the section on the Board of Directors.

**Personal and professional characteristics of each statutory auditor**

A brief curriculum vitae of each statutory auditor is provided below, showing their personal details, expertise and experience in business management.

**Marco Gregorini:** Graduated in Business and Economics from the University of Brescia in the 1992-93 academic year. He has been a registered chartered accountant since 16/2/2000 and is on the Register of Auditors pursuant to the Ministerial Decree of 12/04/1995, published in the Official Gazette of 13/2/2001, supplement no. 13, IV Special Series. He has worked as a chartered accountant since 2000, specialising in corporate, tax, insolvency proceedings and corporate restructuring consultancy. He has held numerous professional offices in the banking and industrial sector. He still holds several offices among which standing auditor and member of the supervisory board of Banca di Credito Cooperativo of Brescia. In 2002, he published a monograph entitled "Disciplina fiscale e civilistica delle erogazioni liberali ed enti non commerciali e Onlus" [Fiscal and civil regulation of free donations and non-commercial and non-profit organisations] in cooperation with professors G. Mario Colombo and Giulio Ponzanelli, published by Ipsoa. He is an active member of the Territorial Discipline Council of the Order of Certified Auditors and Accounting Professionals of Brescia.

**Primo Ceppellini:** graduated from the Faculty of Economics and Commerce of Pavia University. A member of the Order of Certified Auditors and Accounting Professionals of Pavia since 1990, founder and partner of the professional partnership Ceppellini Lugano & Associati (CLA Consulting srl) with offices in Milan, Vicenza and Voghera ( ). Registered in the list of Auditors. Auditor of a number of mid-sized to large joint-stock companies. Contributor to the financial newspaper "Il Sole 24 Ore". Member of the scientific committee of the magazine "Il corriere tributario", Ipsoa Editore, Wolters Kluwer Group. Member of the scientific committee of the magazine "Norme & Tributi Mese", Il Sole 24 Ore Editore.

Author of books and other publications on fiscal topics and financial statements, including: Capire la contabilità e il bilancio – publisher Il Sole 24 Ore S.p.A., Guida all'Irap – publisher Il Sole 24 Ore S.p.A., Il testo unico delle imposte sui redditi - publisher Il Sole 24 Ore S.p.A., Operazioni straordinarie – published by Ipsoa – Wolters Kluwer Group.

Has significant professional experience in fiscal and corporate consulting, in the statement of opinions, informative notes, studies and research. Has significant experience as a teacher in the professional development and training of administrative staff in corporations. Participated as a speaker in numerous national conventions organised by consulting services, professional orders and trade associations. Acts as technical defence consultant for large taxpayers in fiscal cases and provides assistance in administrative proceedings with Italy's internal revenue service. Has served as court-appointed consultant stating an opinion on tax issues of particular complexity. The professional partnership Ceppellini Lugano & Associati (CLA Consulting srl) has overseen



and is currently performing consulting services in taxes, corporate affairs and corporate and financial restructuring for mid-sized to large companies and groups.

**Roberta Dell’Apa:** graduated from Università Cattolica del Sacro Cuore in Milan with a degree in Economics and Commerce, and then passed the national examination for authorisation to practice the profession of chartered accountant and auditor. Practices the profession of chartered accountant with a special focus on providing consulting services in the corporate and fiscal areas and in relation to various aspects of company organisation.

Often serves as technical consultant for parties in civil and criminal court cases, and as court-appointed consultant in civil cases, particularly in the banking and finance sector.

Auditor of a number of industrial and sales companies.

Founding partner in “Studio Dell’Apa Zonca e Associati – Dottori Commercialisti”, a corporate and fiscal consultancy established in 2006. Sits on study commissions of the Order of Chartered Accountants of Milan, and has acted as representative of the national pension fund for chartered accountants in the past two mandates. National chair of the Italian Association of Chartered Accountants - AIDC from March 2013 to February 2017, after serving as chair of the Milanese department. Member of the “Commission for Standards of Conduct and Common Interpretation in Tax Law” of AIDC Milan and Chairman of the “Social Security Commission” of AIDC nationwide.

In 2019, the Board of Statutory Auditors held 9 meetings lasting an average of 2.5 hours, which were attended by all members. The Chairman of the Board of Auditors played an active role in all the meetings held by the Control and Risks Committee, enabling a timely exchange of information relating to their duties.

The same number of meetings is scheduled for this year, and as of the date of this Report, the Board of Statutory Auditors has already met twice.

The Board checks the independence of its members at the time of their appointment and once a year henceforth; the 2018 assessment was conducted during the 14 March 2019 meeting.

In carrying out the above assessments, the Board applies the criteria set out in the Code of Conduct with regard to the independence of directors, as well as the further independence requirements provided by article 148, paragraph three, of Legislative Decree 58/98.

In addition, pursuant to article 8.C.5 of the Code of Conduct, any auditor who has an interest in a specific Company transaction, on his/her own account or on behalf of third parties, must inform the other auditors and the Chairman of the Board of Statutory Auditors, in a timely and comprehensive manner, of the nature, terms, origin and extent of his/her interest.

Pursuant to the law, the statutory audit is assigned to an external auditing firm, which is subject to the audit regulations governing listed companies and supervision by Consob.

The Board of Statutory Auditors is therefore responsible for supervising compliance with the law and the memorandum of association, as well as observance of the principles of good management in carrying out corporate activities and monitoring the appropriateness of the Company’s organisational structure, internal control system and administrative and accounting system.

With the entry into force of Legislative Decree 39/2010, the Board of Statutory Auditors has been identified as the “internal control and auditing committee”, to which this decree attributes supervisory functions regarding the financial reporting process, the effectiveness of the internal

control, internal audit and risk management systems, the independent audits of annual and consolidated accounts, and the independence of the external auditor.

In performing its duties, the Board of Statutory Auditors works in concert with the Internal Audit Department and the Control and Risks Committee, through information flows and, more importantly, the Chairman of the Board of Statutory Auditors' constant attendance at committee meetings.

As recommended by art. 2, paragraph 2 of the Code of Conduct (*known as the "induction programme"*), the Chairman has ensured that all directors and auditors may participate in initiatives aimed at improving their knowledge of the sector in which the issuer does business, corporate dynamics and how they evolve.

These initiatives include company visits and meetings with sales and technical senior management.

## **15. RELATIONS WITH SHAREHOLDERS**

The figure of Investor Relator, obligatory for Gefran as a company listed in the Star segment, is now held by Ms. Fausta Coffano, appointed to supervise relations with shareholders and stakeholders, an aspect to which the Company attributes great importance.

The Company communicates with investors via its Internet site ([www.gefran.com](http://www.gefran.com)), which includes an easily identifiable and accessible "*investor relations*" area featuring press releases, a calendar of company events, financial information and periodic and annual financial reports. To complete this information, the "*governance*" section contains information on the Group's structure, corporate governance and all documents of use for in-depth knowledge of the Company and to allow shareholders to cast informed votes.

The Investor Relations Manager regularly sends mailing list subscribers updates on this area of the website and information sent to Borsa Italiana and Consob.

The Investor Relations department maintains regular contact with investors and organises collective and one-to-one meetings in the main financial centres in Italy and abroad. The Investor Relations section on the Company's website also contains documents presented to the financial community.

Investor requests for information may be addressed to the Investor Relations office:

Fausta Coffano  
Via Sebina 74, 25050 Provaglio d'Iseo  
Tel: 030/9888.1  
Fax: 030/9888300  
[fausta.coffano@gefran.com](mailto:fausta.coffano@gefran.com)

## **16. THE SHAREHOLDERS' MEETING (pursuant to article 123-bis, paragraph 2, letter c), TUF)**

Shareholders' Meetings are called in accordance with the law and the By-laws by notice generally published at least thirty days prior to the date set for the meeting (first call), or at least forty days

prior to the date set for meetings called to elect the members of the Board of Directors and Board of Statutory Auditors, and in other cases prescribed by law according to the items on the agenda.

The notice of call contains the date, time and place of the meeting, and the list of items to be discussed.

The notice of call shall also contain a description of the procedures the shareholders must comply with in order to attend and exercise their right to vote at the meeting, as well as information regarding (i) the right to ask questions before the meeting, (ii) the terms and procedures for exercising the right to add items to the agenda, (iii) the procedure for exercising proxy voting.

The Shareholders' Meeting may not pass resolutions on items not included on the agenda.

Within five days of the publication of the notice of call of the Shareholders' Meeting, shareholders who, individually or jointly, represent at least one fortieth of the share capital may ask to add to the list of items on the agenda, providing details of the proposed items to be discussed in their request. The Shareholders' Meeting is responsible for passing resolutions – in both ordinary and extraordinary sessions – on matters reserved to it by law or the By-laws, as well as matters that the Board considers appropriate to submit to the shareholders' examination.

Gefran's By-laws grants the Board of Directors powers to decide on the following matters, subject to legal limitations:

- mergers pursuant to articles 2505 and 2505-bis of the Civil Code;
- the establishment and closure of secondary offices;
- any reduction in share capital in the event of a withdrawal by shareholders;
- amendments to the By-laws and the Shareholders' Meeting Regulations to comply with regulatory provisions;
- transfer of the registered office within Italy.

Shareholders' Meetings are called by the Board of Directors by public notice, published in the Official Gazette of the Italian Republic, the daily newspaper *Il Sole 24 Ore* or the daily "Finanza e Mercati", according to the procedures and deadlines prescribed by law.

The Company may issue a third call for extraordinary meetings. When a Shareholders' Meeting is called to appoint directors and statutory auditors, when required by law and/or the regulations in force at the time, the notice of meeting must specify the quorum required to submit lists of candidates and the calculation criteria used, subject to compliance with all other legal requirements.

Meetings may be held outside the Company's registered office, as long as they are held in Italy.

Ordinary and extraordinary meetings are held and resolutions are passed in accordance with the law.

The Company has drawn up regulations to ensure that meetings are conducted in a smooth and orderly manner, available in the Governance/Shareholders' Meetings section of the Company website [www.gefran.com](http://www.gefran.com).

The provisions of the law apply to representation at Shareholders' Meetings.

The Company shall be notified of the mandate in electronic form, in accordance with the procedures established by the applicable ministerial regulations.

The Board shall provide shareholders with sufficient information to enable them to make the decisions pertaining to the Shareholders' Meeting with full knowledge of the facts. Pursuant to article 127-ter of Legislative Decree 58/98, shareholders are entitled to ask questions relating to the agenda up to two days prior to the meeting by sending a registered letter to the Company's registered office or to the email address [gefran@legalmail.it](mailto:gefran@legalmail.it), together with a statement certifying that they are eligible to attend and vote at meetings, or a certificate issued by the brokers holding the shares owned by such shareholders. The Company may answer these questions at the Shareholders' Meeting at the latest.

The chairman of the Shareholders' Meeting moderates the debate, giving the floor to the directors, statutory auditors and anyone entitled to speak. Each shareholder may speak only once on any item on the agenda. In order to encourage the broadest possible participation, the time allowed for each intervention must be limited as a rule to ten minutes. Replies may not exceed five minutes. After replies, the chairman of the Shareholders' Meeting declares the debate closed. Only brief voting statements are allowed following the end of the debate.

The Shareholders' Meeting held on 03 May 2019 was attended by all Company directors and auditors.

There were no significant changes in the Company's shareholding structure.

#### **17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2, letter A) of the TUF)**

No additional Committees were appointed beyond those described in the previous sections, while adoption of the Organisational Model under Legislative Decree 231/2001 is addressed in point 11.3.

#### **18. CHANGES OCCURRING SINCE THE END OF THE YEAR**

No changes to report.

#### **19. CONSIDERATIONS REGARDING THE 19 December 2019 LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The letter sent by the Chairman of the Corporate Governance Committee of Borsa Italiana (the Italian Stock Exchange) to listed companies on 19 December 2019 was shared with the Chairman of the Board of Directors, the Chief Executive Officer and the Chairman of the Board of Statutory Auditors on 20 December 2019. The letter was then made available to the entire Board of Directors and to the Board of Statutory Auditors.

The recommendations included in the letter were carefully examined by the Independent Directors in the 10 March 2020 meeting, after which they expressed their suggestions to the Board of Directors and to the Board of Statutory Auditors in the 12 March 2020 meeting.

In view of these recommendations, the Company has:

- assessed the adequacy of its remuneration policies in relation to the goal of long-term sustainability, confirming the connection between variable remuneration attributed to strategic managers with long-term goals and the absence of any “ad hoc” bonuses.
- Assessed the adequacy of the system for management of information flows to the Board of Directors, also in light of the new technical tool employed (*virtual data room*) supporting the confidentiality of information, facilitating consultation, and avoiding the need to send and print out e-mails. As required by the new Corporate Governance Code, the newly appointed Board will consider introduction of regulations governing the Board’s work.
- Monitored strict compliance with the requirements of independence under the corporate governance code, applied without exception; in the future, quantitative and qualitative criteria might be considered for use assessing the significance of relations with independent directors.
- Assessed the adequacy of fees paid to non-executive directors and members of the supervisory bodies, in view of the degree of professionalism and commitment required of them, taking into account the remuneration practices of companies of similar size in the same sectors. Taking into account the increase of the frequency of the meetings of the Board of Directors, an increase of the fix fees of the Directors may be evaluated

Provaglio d’Iseo, 14 March 2020

*For the Board of Directors*

*Chairman*

*Maria Chiara Franceschetti*

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

STRUCTURE OF SHARE CAPITAL				
Type of shares	No. of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	14,400,000	100	STAR	ordinary

MAJOR SHAREHOLDINGS		
Shareholder	Nominal value	% of capital
FINGEFAN S.R.L.	8,164,080	56.695

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

Board of Directors													Control and Risks Committee		Appointments and Remuneration Committee	
Office	Components	Year of birth	Date of first appointment*	In office from	In office to	List**	Exec.	Non-Exec.	Indep. Code	Indep. TUF	BoD attendance	other offices***	Members	CRC attendance	Members	CNR attendance
Honorary Chairman	Ennio Franceschetti	1942	07/05/1991	20/04/2017	meeting to approve financial statements at 31.12.2019	M	X				7/10	0				
Chairman	Maria Chiara Franceschetti	1969	15/12/2003	20/04/2017	meeting to approve financial statements at 31.12.2019	M	X				9/10	1				
Director*	Marcello Perini	1969	16/12/2019	16/12/2019	Next shareholders' meeting	M	X				2/2	0				
Director	Giovanna Franceschetti	1976	23/04/2008	20/04/2017	meeting to approve financial statements at 31.12.2019	M	X				9/10	0				
Director	Andrea Franceschetti	1977	04/05/2011	20/04/2017	meeting to approve financial statements at 31.12.2019	M	X				9/10	0				
Director	Romano Gallus	1941	27/04/2000	20/04/2017	meeting to approve financial statements at 31.12.2019	M		X			9/10	0			M	4/4
Director	Daniele Piccolo	1962	01/10/2012	20/04/2017	meeting to approve financial statements at 31.12.2019	M		X	X	X	10/10	0	C	5/5	C	4/4

Director	Mario Mazzoleni	1957	20.04.2017	20/04/2017	meeting to approve financial statements at 31.12.2019	M		X	X	X	10/10	2	M	5/5		
Director	Monica Vecchiati	1961	29/04/2014	20/04/2017	meeting to approve financial statements at 31.12.2019	M		X	X	X	9/10	0	M	5/5	M	4/4
<b>Directors leaving office during the reference year</b>																
Chief Executive Officer •◇	Alberto Bartoli	1960	20.04.2017	20/04/2017	02/12/2019	M	X				9/9					
<b>Quorum required for submission of lists on most recent appointment: 2.5%</b>																
<b>No. of meetings held in the period: Board of Directors=10; CRC=5; CNR=4</b>																

• This symbol identifies the director responsible for the internal control and risk management system.

◇ This symbol identifies the principal person in charge of management of the issuer (Chief Executive Officer or CEO).

○ This symbol identifies the Lead Independent Director (LID).

The "Attendance" column indicates attendance of meetings during the period in which each director was in office during the year

"C" identifies the Chairman of a committee

"M" identifies a member of a committee.

\* The date of first appointment of each director is defined as the date on which the director was appointed to the issuer's Board of Directors for the first time (absolutely).

\*\* This column identifies the list from which each director comes ("M": majority list ; "m": minority list; "BoD": list presented by the Board of Directors).

\*\*\* This column indicates the number of appointments as director or statutory auditor held by the person in question in other listed companies in Italy and abroad, in financial, banking, and insurance companies or in companies of significant size. Appointments are identified in full in the report.



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

Structure of the board of statutory auditors									
Office	Components	Year of birth	Date of first appointment	In office from	In office to	List	Indep. pursuant to code	participation	other offices*
Chairman	Marco Gregorini	1970	29/04/2015	24/04/2018	meeting to approve financial statements at 31.12.2020	M	X	8/8	7
Standing auditor	Roberta dell'Apa	1963	20/04/2017	24/04/2018	meeting to approve financial statements at 31.12.2020	M	X	8/8	5
Standing auditor	Primo Ceppellini	1963	29/04/2015	24/04/2018	meeting to approve financial statements at 31.12.2020	M	X	6/8	18
Deputy auditor	Guido Ballerio	1968	28/04/2003	24/04/2018	meeting to approve financial statements at 31.12.2020	M	X	-	-
Deputy auditor	Luisa Anselmi	1966	24/04/2018	24/04/2018	meeting to approve financial statements at 31.12.2020	M	X	-	-
Auditors leaving office during the reference year									
								-	-
Quorum required for submission of lists on most recent appointment: 2.5%									
No. of meetings held in the period: 8									

\*This column specifies the number of offices of director or statutory auditor held by the person in question under art. 148-bis TUF and the provisions for its implementation contained in the Consob Issuers' Code. Consob publishes a complete list of offices on its internet site under art. 144-quinquiesdecies of the Consob Issuers' Regulations.

**REPORT ON THE  
SELF-ASSESSMENT OF THE  
BOARD OF STATUTORY  
AUDITORS OF GEFRAN S.P.A.**

This document briefly sums up the analyses conducted and the conclusions stated in the 13 February 2020 self-assessment meeting of the Board of Statutory Auditors.

## **1. Method and phases of the self-assessment process**

The self-assessment process was conducted in the phases described below.

### **Preliminary phase**

Figures and information of significance for the purposes of self-assessment, collected in person by filling in a questionnaire specifically intended for the auditing body, the results of which are summed up and processed in a separate spreadsheet (*Autovalutazione CS 20200213.xlsx*), supported assessment of the body as a whole and of its individual members.

### **Processing of the figures and information collected**

On 13 February 2020, the processing of the information collected in the three questionnaires was assessed, as summed up below:

*(scale of values used for self-assessment Unsatisfactory (NO): score 1; Partially unsatisfactory: score 2; Partially satisfactory: score 3; Satisfactory (YES): score 4; then score from a minimum of 1 to a maximum of 4)*

#### **BODY (BOARD OF STATUTORY AUDITORS)**

##### **Composition**

n. 9 questions; average self-assessment score of 4.0;

1. of the 9 points regarding the composition of the body, 1 is identified as not applicable, while the remaining 8 were considered satisfactory by all members;

##### **Functioning**

n. 15 questions; average self-assessment score 4.0;

1. the maximum score (satisfactory) was awarded to the 15 aspects taken into

consideration; **INDIVIDUAL MEMBER (BOARD OF AUDITORS)**

##### **Member's contribution**

3 questions; average self-assessment score 4.0;

1. all members awarded the maximum score (satisfactory) for all 3 questions;

##### **Others of other members**

2 questions; average self-assessment score 4.0;

1. all members awarded these 2 questions the maximum self-assessment score (satisfactory).

Detailed information on the composition of the Board of Statutory Auditors was then considered, as well as information on the number and type of positions held by the Auditors in other companies.

### **Preparation of the results of the process, examination by the Board and approval**

The Chairman of the Board of Statutory Auditors and the other members analysed the responses to different assessment profiles, also in view of their consistency, taking the aspects identified into consideration, stating any comments and suggesting possible actions for improvement of the body's efficiency.

The text of the Self-Assessment Report was then determined, taking into account the results that had emerged and focusing on possible actions to be taken.

## **2. Parties involved**

Self-assessment activities took place with the involvement of all the members of the Board of Statutory Auditors, the chairman and the standing auditors.

## **3. Results obtained: principal conclusions of the self-assessment process**

### **Composition of the Board of Statutory Auditors**

#### **Quantitative profile**

The numerical composition of the Board of Statutory Auditors does not pose any problems of congruence as it is determined by the Company's By-Laws on the basis of the provisions of the civil code, stating that the Board of Statutory Auditors is composed of 3 standing auditors and 2 substitute auditors.

#### **Qualitative profile**

The members of the body, in general:

- are aware of the powers and obligations inherent in their functions;
- are in possession of the professional skills required for their position, in view of the company's operations and size;
- are in possession of sufficient know-how, only partially diversified, to ensure effective governance of risk in all areas in the company;
- dedicate sufficient time and resources for the complexity of their tasks;
- comply with the limits on number of positions held;
- perform their tasks with independence of judgement, protecting the interests of the company as a whole.

The members of the Board of Statutory Auditors are self-employed professionals registered in the register of chartered accountants and the register of legal auditors.

The auditors' skills and experience are those associated with the profession of chartered accountant, with different backgrounds and fields of specialisation in accounting, taxation, labour law, corporate law and insolvency law.

Two of the standing auditors are male, while one is female; one of the substitute auditors is female and one is male.

The distribution of the standing auditors and substitute auditors in terms of age range is balanced and appropriate.

### **Functioning of the Body**

As for the sufficiency of the amount of time the Statutory Auditors spend on their supervisory tasks, note that, in addition to their periodic meetings, the Board of Statutory Auditors attends Shareholders' Meetings and meetings of the Board of Directors, the Risks Committee and the Appointments and Remuneration Committee.

The frequency of these meetings and checks is considered appropriate and consistent with the features of the company's operations and the seniority of the auditors. The amount of time dedicated to performance of their functions is therefore considered appropriate, also in view of their systematic attendance of the meetings of other company bodies and the positions they hold in other companies, specified above.

The results obtained in planning of supervisory tasks, the methods for keeping and storing the minutes of the meetings and details of the resolutions of the Board of Statutory Auditors and supporting or working documents are considered adequate.

Ongoing discussion and dialogue allow the Board to achieve optimal, effective dialectic discussion. The Chairman's efficacy is confirmed.

Individual members' contributions to the functioning of the Body are effective and essential, and they always agree with the Board of Statutory Auditors' conclusions. The amount of time dedicated to discussion and individuals' contributions are considered sufficient, and the space allocated to necessary internal debate is considered appropriate.

All Statutory Auditors participate effectively and sufficiently, with a homogeneous level of information. Dialectic discussion is encouraged, and is concise and effective.

#### **4. Areas for improvement and any corrective actions planned**

Taking into account the information appearing in the above paragraphs, the Board of Statutory Auditors considers it advisable to continue with implementation of the following actions:

- a) *participation in the meetings of company bodies:*
  - in supervisory operative practice, statutory auditors consider it useful to attend meetings of company bodies
- b) *know-how, experience and professional background:*
  - improvement of knowledge of various company functions and professional background.

Provaglio d'Iseo, 13 February 2020 For  
the Board of Statutory Auditors

Marco Gregorini, Chairman

