

**REPORT OF THE BOARD OF STATUTORY
AUDITORS TO THE SHAREHOLDERS' MEETING
OF LANDI RENZO S.p.A.**

**PURSUANT TO ARTICLE 153, ITALIAN
LEGISLATIVE DECREE 58/1998**

Dear Shareholders

The Board of Statutory Auditors of Landi Renzo S.p.A (hereinafter also “the Company”), pursuant to Article

153 of Italian Legislative Decree 58/1998 (hereinafter the “TUF”), is called on to report to the Shareholders’ Meeting, convened to approve the Financial Statements at 31 December 2019, on the results for the year, the supervisory activities carried out in the performance of its duties, on any omissions or matters to report, and also to make observations and proposals concerning the financial statements, their approval and other matters in its remit. The Board of Statutory Auditors carried out the supervisory duties under Article 149 of the TUF, as well as the duties under Article 19 of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/2016, in its capacity as Internal Control and Audit Committee, also considering the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by Italy’s National Association of Accounting Professionals (CNDCEC). Furthermore, it carried out supervisory activities, observing the principles and notices issued by Consob on corporate controls and on the activities of boards of statutory auditors.

This Report has been prepared in compliance with indications from Consob in Communication DEM/1025564 of 6 April 2001 as amended, and with regulation Q.7.1. of the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by Italy’s National Association of Accounting Professionals.

In accordance with Italian Legislative Decrees 58/1998 and 39/2010, statutory auditing has been assigned to PricewaterhouseCoopers S.p.A. (hereinafter “PWC” or “the Independent Auditors”), as resolved by the Shareholders’ Meeting of 29 April 2016 for the duration of nine years (from 31 December 2016 through to 31 December 2024).

1. Administrative body - Appointment, term of office and modus operandi

The Board of Directors in office at the date of this Report was appointed by the Shareholders' Meeting of Landi Renzo S.p.A of 29 April 2019 for three financial years and up to approval of the financial statements for the year ending 31 December 2021.

On 29 April 2019, the Board of Directors, in the first meeting following its appointment, gave a positive evaluation of the independence of the board directors Sara Fornasiero, Vincenzo Russi and Anton Karl, with reference to Article 148, paragraph 3 of the TUF, as referred to in Article 147-ter, paragraph 4 of the TUF, and Article 3 of the Corporate Governance Code for listed companies (hereinafter the "Corporate Governance Code"). On this occasion, the Board of Statutory Auditors verified the correct implementation of the criteria and procedures adopted by the Board of Directors to assess the independence of its members pursuant to application criterion 3.C.5 of the Corporate Governance Code.

Subsequently, in the meeting of 13 March 2020, the Board of Directors confirmed that the above directors met the requirements for independence.

The Board of Statutory Auditors acknowledged the mainly positive outcomes of the appraisal process undertaken by the Board of Directors in the meeting of 13 March 2020, regarding the dimension, composition and modus operandi of the Board of Directors and its committees.

2. Board of Statutory Auditors - Appointment, term of office and modus operandi

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of Landi Renzo S.p.A of 29 April 2019 for three financial years and up to approval of the financial statements for the year ending 31 December 2021.

On 29 April 2020, the Board of Statutory Auditors verified that its members were still eligible for their office pursuant to Article 148 of the TUF and regulation Q.1.1. of the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by CNDCEC, and also still met requirements for independence pursuant to application criterion 8.C.1 of the Corporate Governance Code, preparing – based on the CNDCEC document of May 2019, "Self-appraisal of boards of statutory auditors" – the "Document" and the "Self-appraisal Report" referred to herein.

Subsequently, on 12 March 2020, it confirmed that the above requirements had been met; on this occasion, the Board of Statutory Auditors also assessed that in overall terms it was adequate for its position held, in terms of its composition, as well as its expertise, professionalism, experience, the gender and age of members, and reported the findings of the self-appraisal to the Board of Directors for all necessary requirements.

To carry out its duties, the current Board of Statutory Auditors met 9 (nine) times, including by conference call, during 2019, and also informally during various other

occasions to discuss and further examine specific matters, review significant documents, define the agenda of its meetings and prepare minutes and notices. Moreover, the Chairman of the Board of Statutory Auditors or at least another member took part in the meetings of the Control and Risks Committee, the Committee for Transactions with Related Parties and the Remuneration Committee, and in the meeting of the Independent Directors.

3. Compliance with the Corporate Governance Code

The Company adopted the Corporate Governance Code for listed companies.

The Board of Statutory Auditors monitored the correct adoption by the Company of the corporate governance rules set out in the Corporate Governance Code and observed said rules in carrying out its duties.

4. Supervision and control activities

As part of duties and with reference to activities in its remit, during the year in question, the Board of Statutory Auditors declares that:

- it took part in the meetings of the Board of Directors, and was given adequate information by board directors on the general performance of operations and the foreseeable outlook, as well as on transactions considered to be material because of their size and characteristics, undertaken by the Company and its subsidiaries;
- it acquired the knowledge necessary to carry out its activities to verify compliance with law, the articles of association, the principles of proper administration and adequacy of the organisational structure of the Company, through obtaining and reviewing significant documents, interviews with the heads of various company functions and the periodic exchange of information with the Independent Auditors;
- it took part, as already stated, through the Chairman or at least another member, in the meetings of the Control and Risks Committee, the Committee for Transactions with Related Parties and the Remuneration Committee, and in the meeting of the Independent Directors;
- it met the Supervisory Body, also during meetings of the Control and Risks Committee;
- it monitored the functioning and efficiency of internal control systems and the adequacy of the administrative and accounting system, in particular in terms of the system's reliability to represent operations;
- it obtained adequate information from directors, at least every quarter, pursuant to Article 150, paragraph 1 of the TUF, on activities carried out and on operations

of greater economic and financial significance undertaken by the Company and its subsidiaries;

- it exchanged with managers of the Independent Auditors data and information significant for carrying out respective duties pursuant to Article 150, paragraph 3 of the TUF, reviewing where necessary the results of the work of the Independent Auditors and obtaining Audit Reports prepared pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of Regulation (EU) No 537/2014;
- it exchanged information on administration and control systems and on the general performance of operations with the Board of Statutory Auditors of Italian investee companies, pursuant to Article 151, paragraphs 1 and 2 of the TUF and requested information on the most significant events concerning the Group's main foreign investee companies from the Chief Executive Officer, the Internal Audit department and the Independent Auditors;
- it examined (as further explained below) the contents of the additional Report for the Board of Statutory Auditors in its function as Internal Control and Audit Committee prepared by the Independent Auditors pursuant to Article 11 of Regulation (EU) 537/2014, based on which it had no findings to be indicated herein;
- it monitored the functioning of the control system for Group companies and the adequacy of instructions given to them, also pursuant to Article 114, paragraph 2 of the TUF;
- it acknowledged the preparation of the Remuneration Report pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers' Regulation, without any particular observations to make;
- it established the conformity of the articles of association to legal and regulatory provisions;
- it assessed the conformity of the internal procedure on Related-Party Transactions to the principles indicated in the Regulation approved by Consob in resolution no. 17221 of 12 March 2010 as amended, and its compliance, pursuant to Article 4, paragraph 6 with the aforesaid Regulation, participating, as stated, in periodic meetings of the Committee for Transactions with Related Parties, called on to review such transactions;
- it monitored the company's corporate reporting process, for directors' compliance with procedural regulations on the preparation, approval and publication of the financial statements and consolidated financial statements;

- it established the adequacy of the method of impairment testing carried out by competent company functions, assisted by a specialist consultant, and approved by the Board of Directors in order to verify any impairment of assets recognised in the financial statements;
- it established that the 2019 Directors' Report on Operations complied with applicable regulations, and was consistent with the resolutions adopted by the Board of Directors and with facts presented in the financial statements and in the consolidated financial statements;
- it acknowledged the content of the Consolidated Interim Report and Quarterly Reports, without having to make any observations, and also established that the reports had been disclosed to the public as required;
- in a capacity as Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/2016, it oversaw the specific information, monitoring and control functions stated therein, carrying out the duties and tasks indicated in the aforesaid Decree;
- it monitored compliance with the provisions established in Italian Legislative Decree 254/2016, reviewing, among others, the Consolidated Non-Financial Statement and ascertaining compliance with provisions on the preparation of this Statement, pursuant to the aforesaid decree;
- it took part in an information session, as part of its activities as Board of Statutory Auditors, enabling it to improve knowledge of the sector in which the Company and Group operate, of main aspects concerning management and the legal framework, and to be brought up to date on the progress of main initiatives;
- it met with the Chief Executive Officer, on its own initiative, to review main foreign subsidiaries;
- it took part in a meeting with the company's legal team, to review legal developments introduced by new provisions of the SHRD II (Shareholder Rights Directive II), as regards remuneration policies and related-party transactions;
- it examined the letter sent by the Chairman of the Corporate Governance Committee and the recommendations therein.

No findings were identified from the supervisory activities carried out in the areas and according to the procedures described above indicating a failure to comply with law or with the memorandum of association, or such as to warrant notification to the Supervisory Authorities or mention in this report.

Moreover, based on information and evidence available, the Board of Statutory Auditors

can reasonably believe that operations adopted by the Board of Directors conform to law and the articles of association and are not manifestly imprudent, risky or in contrast with the decisions taken by the Shareholders' meeting or such as to affect the integrity of company assets.

5. *Monitoring of atypical or unusual transactions and of related party transactions*

During 2019, the Board of Statutory Auditors did not identify any atypical or unusual transactions with Group companies, third parties or with other related parties.

During 2019 and up to the reporting date, the Board of Statutory Auditors did not receive any notice from the control bodies of subsidiaries, associates or investees, or from the Independent Auditors, containing findings which need to be disclosed in this Report. Moreover, the Board of Statutory Auditors, acknowledged that the financial balances of intercompany transactions and transactions with related parties undertaken by the Company and its subsidiaries in 2019, are presented in the "*Consolidated Statement of Financial Position at 31 December 2019, prepared in compliance with provisions in Consob resolution no. 15519 of 27 July 2006 and Consob communication DEM/6064293 of 28/7/2006*" and in the "*Consolidated Income Statement at 31 December 2019, prepared in compliance with provisions in Consob resolution no. 15519 of 27 July 2006 and Consob communication DEM/6064293 of 28/7/2006*" respectively, while more analytical and detailed information is given in the section "*Related-party Transactions*" of the Consolidated Financial Statements at 31 December 2019, to which reference is made. In particular, the above section states that related-party transactions take place at arm's length on the markets in question, considering the characteristics of the goods and the services supplied.

The Board of Statutory Auditors considers disclosure on these transactions, provided according to the above procedures, and also based on analyses and periodic controls carried out by the Committee for Transactions with Related Parties, to be adequate overall, and consistent with and in the interests of the Company. Related-Party Transactions, identified based on international accounting standards and provisions issued by Consob, are governed by an internal procedure (the "Procedure") adopted by the Board of Directors on 29 November 2010.

The Board of Statutory Auditors reviewed the Procedure, establishing its conformity to Consob Regulation no. 17221 of 12 March 2010, amended with resolution no. 17389 of 23 June 2010 and interpreted with resolution no. 78683 of 24 September 2010.

6. *Relations with the Independent Auditors, pursuant to Italian Legislative Decree 39/2010 and observations on their independence*

The Board of Statutory Auditors monitored the efficiency of the statutory auditing process, discussing and reviewing aspects in specific meetings with the Independent Auditors (PWC S.p.A.) concerning:

- the planning of activities, the methodological approach, supervision and coordination of the work carried out by the auditors of foreign subsidiaries;
- areas that are particularly significant in terms of audit risk;
- the effectiveness and reliability of the internal control system;
- periodic controls on bookkeeping;
- results following on from the work carried out.

The Independent Auditors notified its fees for audit services for 2019, confirming that no other services apart from audit services had been provided, hereinafter also referred to as non-audit services (NAS).

As regards the independence of the Independent Auditors, the Board of Statutory Auditors and as already indicated, also in its capacity as Internal Control and Audit Committee

- a) carried out its duties required by Article 19, paragraph 1, letter e) of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/2016, assessing and monitoring the independence of the Independent Auditors, in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of Italian Legislative Decree 39/2010 and Article 6 of Regulation (EU) No 537/2014;
- b) it reviewed the Additional Report for the Internal Control and Audit Committee required by Article 11 of Regulation (EU) 537/2014 [and took note of the content of the Transparency Report published by the Independent Auditors on its website in compliance with the criteria in the aforesaid Regulation];
- c) it received as an attachment to the above Additional Report the “Annual confirmation of independence pursuant to Article 6 (2)(a) of Regulation (EU) 537/2014 and pursuant to paragraph 17 of the international accounting standard (ISA Italy) 260” [in which the Independent Auditors certified, among others, that from 1 January 2019 up to the time of issue of the Confirmation, it had not identified any situations affecting its independence in relation to Landi Renzo S.p.A. pursuant to Articles 10 and 17 of Italian Legislative Decree 39/2010 and Articles 4 and 5 of Regulation (EU) 537/2014];
- d) it discussed the risks for its independence with the Independent Auditors, and the measures adopted to mitigate such risks, pursuant to Article 6 (2)(b) of Regulation (EU) 537/2014.

Based on information obtained and activities carried out, no facts or situations that may pose risks for the independence of the Independent Auditors were identified, and in this regard, the Board of Statutory Auditors had no observations to make to the Shareholders' Meeting.

7. Financial reporting process and internal control system

The Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, and its reliability in correctly representing operations, obtaining information from the heads of administration functions and exchanging information with the Control and Risks Committee, the Internal Audit function and the Independent Auditors.

The Board of Statutory Auditors also monitored, periodically meeting with the Financial Reporting Manager, the organisation, company procedures and instruments used to collect information and data necessary to prepare the financial statements, consolidated financial statements and interim reports, as well as other financial disclosure, in order to: i) evaluate the adequacy and actual adoption and ii) verify the suitability and efficiency of the powers and resources given by the Board of Directors to the Financial Reporting Manager to carry out his/her duties.

In this regard, the Board of Statutory Auditors acknowledged the certification issued by the Delegated Bodies (specifically the Chief Executive Officer), and by the Financial Reporting Manager pursuant to Article 154-*bis*, paragraph 5 of the TUF, on the financial statements of the Company and on the consolidated financial statements of the Group at 31 December 2019, and on the Half-Yearly Financial Report at 30 June 2019 and on quarterly reports, in which no findings or observations had been identified.

The Board of Statutory Auditors considers the administrative and accounting system on the whole to be basically adequate and reliable for the size and complexity of the Company and Group.

Considering that the Independent Auditors have responsibility for the statutory auditing of the accounts, the Board of Statutory Auditors supervised the general configuration of the financial statements and consolidated financial statements and their compliance with regulations governing their basis for presentation and structure. The Board of Statutory Auditors also verified the conformity of the financial statements and consolidated financial statements to the facts and information which came to its knowledge while carrying out its duties. In this regard, the Board of Statutory Auditors has no particular findings to report.

As part of its functions, the Board of Statutory Auditors monitored the adequacy of the internal control and risk management system: a) obtaining information from the heads of

relevant company departments, also to check the existence, adequacy and actual adoption of procedures; b) participating in meetings of the Control and Risks Committee; c) periodically meeting the head of the internal audit function and obtaining information on the results of work carried out, actions recommended and subsequent initiatives taken; d) exchanging information with the Independent Auditors.

In this regard, the Board acknowledged the disclosure provided periodically by the Director in a capacity as Director in charge of establishing and maintaining an effective internal control system, and the interim reports prepared by the Control and Risks Committee pursuant to Application Criterion 7.C.2 letter f) of the Corporate Governance Code on activities carried out where, among others, an opinion was given in favour of the adequacy of the internal control and risk management system.

Based on the above and considering the control activities carried out and ongoing improvement actions, the Board of Statutory Auditors considers the internal control system to be adequate as a whole for the size, complexity and operations of the Company and Group.

8. Supervision of the non-financial disclosure process

As already stated, the Board of Statutory Auditors monitored compliance with the provisions established in Italian Legislative Decree 254/2016 and in the Implementing regulation adopted by Consob with Resolution no. 20267 of 18/01/2018 with reference to the Non-Financial Statement (“NFS”) and existence of an adequate organisational, administration, reporting and control system prepared by the Company with the aim of providing a true and fair view of non-financial information.

Based on the information obtained and evidence acquired, according to the above terms, the Board of Statutory Auditors considered the procedures, processes and structures for the production, reporting, measurement and representation of the aforesaid information to be substantially adequate and has no findings to report to the Shareholders’ Meeting.

9. Additional information required by Consob communication DEM 1025564 of 6 April 2001 as amended

Pursuant to applicable Consob provisions, the Board of Statutory Auditors also reports the following:

- a) the Board received no complaints pursuant to Article 2408 of the Italian Civil Code, nor complaints from third parties;
- b) during 2019, the Company and Board of Statutory Auditors did not receive requests for information from Consob, pursuant to Article 115 and Article 114 of the TUF;
- c) during 2019, the Board of Statutory Auditors gave opinions required i) under Article 2389, paragraph 3 of the Italian Civil Code, as regards the fees of directors with special responsibilities;
- d) it gave an opinion on decisions in the remit of the Board of Directors, as required by the Corporate Governance Code - Article 7, criteria 7.C.1. and 7.C.2., regarding i) the 2020-2022 activity plan prepared by the Internal Audit function and ii) the correct use of accounting standards and their uniformity for the purposes of preparing the separate financial statements, consolidated financial statements and interim financial statements.

10. Significant events indicated in the Directors' Report , financial statements and consolidated financial statements

Significant events indicated by the Company in the Directors' Report and in the financial statements, as well as in the consolidated financial statements at 31 December 2019, include the stipulation of a new medium/long-term loan agreement in order to extinguish the existing financial debt deriving from the Optimisation Agreement entered into in March 2017 and the "Landi Renzo 6.10% 2015-2022" Bonded Loan, and to obtain new funding.

Based on the information provided by the Company and the data acquired from the above operation, the Board of Statutory Auditors established its conformity to law, to the memorandum of association and to principles of proper administration, ensuring that the operation was not manifestly imprudent or risky, in potential conflict of interest, in contrast with decisions taken by the Shareholders' Meeting or such as to affect the integrity of the company's assets.

11. Significant events after the reporting period

The Board of Statutory Auditors acknowledged and reports on the following significant

events taking place after the reporting period, commented on in more detail in the section “*Significant events occurring after the reporting period and business outlook*” of the Directors' Report on Operations for 2019, to which reference is made for further details:

- The signing of a collaboration agreement between the Landi Renzo Group and Snam4Mobility, to boost sustainable mobility powered by compressed natural gas (CNG).
- The signing of an agreement with the Egyptian gas authorities for the joint development of a pilot project for the production, assembly and sale of systems and components for natural gas vehicles;
- Information on initiatives taken regarding the emergency caused by the spread of Covid-19.

12. Report of the Independent Auditors and related obligations of the Board of Statutory Auditors

On 30 March 2020 the Board of Statutory Auditors issued the Reports pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of Regulation (EU) 537/2014, on financial statements and consolidated financial statements where, in particular, the following is certified:

- the financial statements of the Company and consolidated financial statements of the Group at 31 December 2019 give a true and fair view of the financial position and performance and cash flows for the year then ended in compliance with the International Financial Reporting Standards adopted by the European Union, as well as by measures issued implementing Article 9 of Italian Legislative Decree 38/05;
- the Directors' Report and some specific information in the Report on Corporate Governance and the Ownership Structure are consistent with the financial statements of the Company and with the consolidated financial statements of the Group and have been prepared in compliance with law;
- the opinion on the financial statements and on the consolidated financial statements is in line with information in the Additional Report prepared pursuant to Article 11 of Regulation (EU) 537/2014 and pursuant to article 19 of Italian Legislative Decree 39/2010.

Reference is made, purely for informative purposes, that in the aforesaid Reports, the Independent Auditors considered it appropriate to identify key aspects of the auditing, which, for the financial statements of Landi Renzo S.p.A., were a) the recoverability of the value of goodwill and the equity investment in the subsidiary Lovato Gas, b) the recoverability of receivables for deferred tax assets and c) the measurement of the investment in SAFE & CEC S.r.l., as well as the measurement of deferred tax assets,

while as regards the consolidated financial statements of the Group, these key aspects were a) the recoverability of the value of goodwill, b) the recoverability of receivables for deferred tax assets and c) the measurement of the investment in SAFE & CEC S.r.l. In the Report on the auditing of the consolidated financial statements, the Independent Auditors also declared that they had verified the approval by the directors of Landi Renzo S.p.A of the 2019 Non-Financial Statement for the Landi Renzo Group.

In the aforesaid Reports, the Independent Auditors did not have any findings or emphasis of matter, nor declarations issued pursuant to Article 14, paragraph 2, letters d) and e) of Italian Legislative Decree 39/2010.

Moreover, on 30 March 2020 the Independent Auditors:

- sent the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, the Additional Report, required under Article 11 of Regulation (EU) 537/2014, which does not contradict the information given in the aforesaid Reports on the financial statements and contains other significant aspects, and which the Board will send to the Board of Directors;
- issued, pursuant to Article 3, paragraph 10 of Italian Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, the Report on the Consolidated Non-Financial Statement where the Independent Auditors certified that no elements came to their knowledge leading them to believe that the Non-Financial Statement of the Landi Renzo Group for the year ended 31 December 2019, as regards all significant aspects, had been prepared without observing Articles 3 and 4 of the Decree or the selected GRI Standards.

During periodic meetings held by the Board of Statutory Auditors with the Independent Auditors, pursuant to Article 150, paragraph 3 of Italian Legislative Decree 58/1998, no aspects were identified that must be emphasized in this Report.

Moreover, the Board did not receive any indications from the Independent Auditors on matters to report identified while carrying out the statutory auditing of the financial statements and the consolidated financial statements.

13. Final observations

The Board must point out that at the end of the reporting period, a major health emergency was underway due to the spread of the virus Covid-19 (which had already broken out in China in December 2019), in view of which the Italian authorities have issued regulations, and may further increase restrictions, with considerable limitations on production and commercial activities, and on the transit of people. At present the spread of Covid-19 is affecting not only all of Europe, but also the US, India and South America and could impact the entire world, with the likely consequence of foreign

authorities issuing restrictions similar to those already adopted in Italy.

In this regard, at the date of this Report, special legal and regulatory provisions had been issued enabling the general use of longer deadlines to approve the financial statements of both listed and unlisted companies, as well as appropriate procedures to hold shareholders' meetings and vote at them.

The Board will work closely with the Board of Directors, so that the annual Shareholders' Meeting may take place in an orderly manner, and the rights of Shareholders may be duly exercised, in compliance with these provisions, and namely that the Shareholders' Meeting is deferred or reconvened based on the aforesaid longer deadline, in order for proceedings to take place at a time following that of the current emergency situation.

The Board guarantees the utmost attention, working closely with the Administrative Body, in order to understand the economic effects and in particular the financial impacts that the Covid-19 pandemic will have on the global world market, and thus, on the Company.

Based on the above, the Board of Statutory Auditors did not identify any specific critical aspects, omissions, matters to report or irregularities and has no observations, or proposals to make to the Shareholders' Meeting pursuant to Article 153 of Italian Legislative Decree 58/1998, for areas in its remit, and has no reason to prevent the approval of the Financial Statements at 31 December 2019 or the proposals to allocate profit for the year made by the Board of Directors to the Shareholders' Meeting.

Cavriago (Reggio Emilia), 30 March 2020

Fabio Zucchetti, Chairman of the Board of Statutory Auditors

Diana Rizzo, Statutory Auditor

Domenico Sardano, Statutory Auditor

(This is a translation, the Italian version prevails)