



## FIERA MILANO

### GUIDANCE TO SHAREHOLDERS ON THE RENEWAL OF THE BOARD OF STATUTORY AUDITORS.

*This document was approved by the outgoing Board of Statutory Auditors during its meeting of 19 March 2021, pursuant to the provisions of the Rules of Conduct for the Board of Statutory Auditors of listed companies issued by CNDCEC on 26 April 2018*

Dear Shareholders,

with the approval of the financial statements for the year 2020, the current Board of Statutory Auditors will expire and therefore, in compliance with Rules of Conduct Q.1.2. and Q.1.6. of the National Council of Chartered Accountants, it is appropriate for it to summarise the activities carried out, as well as the time required for each of the activities carried out and the professional resources employed in a specific document, in order to allow Shareholders and Candidate Statutory Auditors to assess the adequacy of the proposed remuneration.

This document consists of the following paragraphs:

- 1) functions required of the Board of Statutory Auditors of listed companies and evolution of the activities of the Board of Statutory Auditors;
- 2) considerations on the composition of the Board of Statutory Auditors;
- 3) commitment required of the Board of Statutory Auditors over the three-year period in terms of attendance at meetings and quantitative time commitment in 2020;
- 4) considerations on the remuneration of the Board of Statutory Auditors;
- 5) Conclusions.

#### **1. Functions required of the Board of Statutory Auditors of listed companies and evolution of the activities of the Board of Statutory Auditors;**

The duties and powers of the Board of Statutory Auditors are governed **by articles 149 to 151 of the Consolidated Law on Finance, in addition to the provisions of the Civil Code.**

In particular, as regards the Consolidated Law on Finance:

- (i) article 149(1)(c-bis) establishes that the Board of Statutory Auditors is required to supervise the procedures for the concrete implementation of the corporate governance rules provided for in the codes of conduct which the company, by means of public disclosures, declares that it complies with;
- (ii) article 151(1) provides that statutory auditors may request information on the performance of company operations or on certain matters directly from the Boards of Directors and Statutory Auditors of subsidiaries; and
- (iii) article 151(2) provides that each member of the Board of Statutory Auditors may individually exercise the powers to convene the Board of Directors and to request the cooperation of employees, except for the power to convene the shareholders' meeting, which must be exercised by at least two members of the Board of Statutory Auditors.

With the European reform of audits, the legislator intended to strengthen the quality of audits and, in particular, the mechanisms for verifying the independence of the auditor, conferring on the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, specific monitoring activities.

Pursuant to **article 19 of Legislative Decree No. 39/2010**, as amended, the Board of Statutory Auditors is also required to:

- (i) inform the Board of Directors of the results of the statutory audit and submit its report to the same;

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- (ii) monitor the financial reporting process and make recommendations/proposals to ensure its integrity;
- (iii) monitor the effectiveness of the audited entity's quality control and enterprise risk management and internal audit systems, in relation to its financial reporting;
- (iv) monitor the statutory audit of the financial statements and the consolidated financial statements, also taking into account any findings and conclusions of the quality controls carried out by Consob pursuant to article 26(6) of Regulation (EU) 537/2014, where available;
- (v) verify and monitor the independence of the independent auditors, in particular as regards the provision of non-audit services to the Company;
- (vi) be responsible for the procedure to select the independent auditor and recommend the independent auditors to be appointed pursuant to article 16 of Regulation (EU) 537/2014.

The Board of Statutory Auditors approves the performance of non-audit services by the independent auditor and the entities in its network (article 5 of **EU Regulation 537/2014**).

Worthy of mention is the provisions on non-financial information introduced by **Legislative Decree 254/2016**, according to which the Board of Statutory Auditors :

- (i) supervises compliance by directors with the provisions of Legislative Decree 254/2016 concerning preparation of the non-financial statement (article 3(7) of Legislative Decree 254/2016);
- (ii) informs the shareholders' meeting of the outcome of such supervision;
- (iii) is heard by the Board of Directors in the event that, in exceptional circumstances, information likely to jeopardise the company's commercial position may be omitted from the non-financial statement.

## 2. Considerations on the composition of the Board of Statutory Auditors

Taking into account the industry in which the Company and the Group operate, the complexity of the corporate organisation and the size and structure of the Group, it is believed that the performance of the tasks assigned to the Board of Statutory Auditors requires specific skills in the following areas:

- principles and operating rules of listed companies;
- characteristics and functioning of the trade fair sector;
- financial expertise and expertise in extraordinary operations;
- national and international accounting standards;
- accounting processes and preparation of annual and consolidated financial statements;
- impairment test process and assessments;
- ability to supervise the adequacy and effective functioning of the organisational structure, regarding risk management, internal audit and financial reporting processes.
- risk management;
- sustainability;
- statutory audit;
- ICT e Digital Transformation;

Skills and experience in listed companies, in particular in holding companies, are essential. It is important that the members of the Board of Statutory Auditors have different backgrounds and that they collectively cover the skills in question.

As a result of the annual self-assessment process, the current Board of Statutory Auditors found that it possesses the above-mentioned skills. The Board also positively assessed its composition in terms of gender diversity, skills and professionalism, as well as work experience.

## 3. Commitment required of the Board of Statutory Auditors over the three-year period in terms of attendance at meetings and quantitative time commitment in 2020

The following table summarises the number of meetings attended by the Board of Statutory Auditors in 2018, 2019 and 2020:

Council body or committee	2018	2019	2020
	no.	no.	no.
Board Of Statutory Auditors	14	16	16
Board of Directors	9	9	18*
Control, Risk and Sustainability Committee	9	10	12
Appointments and Remuneration Committee	4	5	9
Shareholders' Meeting	1	1	2
<b>Total no. of meetings</b>	<b>37</b>	<b>41</b>	<b>57</b>

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During the year ended 31 December 2020, the Board of Directors held 18 meetings, a sharp increase on the year before, in light of the actions required to address the ongoing pandemic and the CEO's resignation, which necessitated more meetings.

**Quantitative commitment 2020**

Considering *only* the hours of attendance at meetings and excluding the time dedicated to audits, the total number of hours of the Board of Statutory Auditors' commitment for the 2020 financial year can be estimated to be approximately 346, including the hours of attendance at ordinary and extraordinary shareholders' meetings during the year.

The total number of meeting hours was approximately 123 for Board of Statutory Auditors' meetings, approximately 53.5 for the meetings of the ESRAB, approximately 25.5 for the meetings of the Appointments and Remuneration Committee and approximately 144 for the meetings of the Board of Directors and Shareholders' Meetings:

	<b>Board of Statutory Auditors' meeting hours</b>	<b>ESRAB meeting hours</b>	<b>Appointments and Remuneration Committee meeting hours</b>	<b>Board of Directors' and Shareholders' meeting hours</b>
Chairman	41	16.5	6	48
Mr. D. Monarca	41	18.5	10.5	48
Mr. M. Tagliabue	41	18.5	9	48
<b>Total</b>	<b>123</b>	<b>53.5</b>	<b>25.5</b>	<b>144</b>

The commitment required of statutory auditors also includes prior analysis of the (often extensive) documentation made available for each Board and Committee meeting.

In addition to the duration of the meetings, there is of course the time spent by the statutory auditors in preparing for the meetings, which - although not quantifiable in detail - represents a significant commitment.

The Board of Statutory Auditors, in carrying out its supervisory function, did not make recourse to the company's employees, but made available free of charge until 31 December 2020 resources belonging to the Chairman's professional firm.

**4. Considerations on the composition of the Board of Statutory Auditors**

The annual remuneration of each Statutory Auditor resolved by the Company's Shareholders' Meeting of 27 April 2018 is €35,000 and the annual remuneration of the Chairman of the Board of Statutory Auditors is €50,000.

In this respect, it is worth noting that recent analyses in the Italian market have focused on the fact that the remuneration paid to the members of the Board of Statutory Auditors is not fully adequate in view of the increasing commitment required by current legislation. With this in mind, as suggested by best practices, a comparison was made between the remuneration of the members of the Board of Statutory Auditors and that of the directors who are members of the ESRAB.

For the 2020 financial year, the total fixed remuneration of these directors was € 172.5 thousand<sup>1</sup>, plus attendance fees, equivalent to € 57.5 thousand for each director who is also a member of the ESRAB. At its meeting of 25 April 2020, the Board of Directors proposed to increase the remuneration of directors who are members of the Board of Directors and the ESRAB by € 12.5 thousand from 1 January 2021 to a total of € 185 thousand, of which € 65 thousand for the independent director and Chairman of the ESRAB and € 60 thousand for the independent director and member of the ESRAB.

This figure is compared to the remuneration paid to the Statutory Auditors of € 35,000, aimed at remunerating not only the activities related to the office of member of the Board of Statutory Auditors, but also participation in Board of Directors' and Committee meetings.

On this point, it should be noted that, during 2018, 2019 and 2020, the number of meetings attended by the Statutory Auditors was 37, 41 and 57, respectively. It was noted that while the annual remuneration of a Standing Auditor is €35,000, that of a director who is also a member of the ESRAB is €57,500 and will be €60,000 from 2021, that of the Chairman of the Board of Statutory Auditors €50,000, that of the Chairman of the ESRAB is €57,500 for the three-year period and will be €65,000 from 2021.

<sup>1</sup> With reference to a total of 30 meetings: 18 BoD meetings and 12 ESRAB meetings

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## **5. Conclusions**

In conclusion, from the point of view of the professional skills of members of the Board of Statutory Auditors, it is deemed desirable and appropriate that also the new Board be characterised by skills and experience in the significant areas referred to in § 3 with an appropriate knowledge of the principles and rules of operation of listed companies.

Taking into account the comparative analysis carried out between the remuneration of members of the Board of Statutory Auditors and Directors who are members of the ESRAB, the references to attention to the adequacy of the remuneration of Statutory Auditors contained in the letters of the Chairman of the Corporate Governance Committee dated 22 December 2020 and 19 December 2019 and the constant expansion of the tasks and commitments required of the Board of Statutory Auditors in light of the regulatory changes of recent years, it would be appropriate for the Company to take this into account when assessing the adequacy of the remuneration paid to members of the Board of Statutory Auditors and submitted for approval to the Shareholders' Meeting, also considering the recent legislation that has expanded the duties and responsibilities of the Board of Statutory Auditors.

Milan, 19 March 2021

Board of Statutory Auditors

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