

**REPORT  
ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

**FOR FY 2020**

*in accordance with art. 123-bis of the Italian Consolidated Law on Finance – TUF*

**(Traditional administration and control model)**

Issuer: SOGEFI S.p.A.

Website [www.sogefigroup.com](http://www.sogefigroup.com)

Date of approval of the report: 19 March 2021



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84  
COMPANY REGISTER OF MILAN MONZA BRIANZA LODI AND TAX CODE 00607460201  
COMPANY SUBJECT TO MANAGEMENT AND COORDINATION BY CIR S.p.A.  
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## **INTRODUCTION**

This Report on corporate governance and ownership structure (hereinafter the "Report") is intended to illustrate to the Market and shareholders the corporate governance model of SOGEFI S.p.A. (hereinafter the "Company" or the "Issuer") in the year 2020, providing the information required by article 123-*bis* of Italian Legislative Decree 58 of 24 February 1998 ("TUF") and by the applicable laws and regulations on the subject of disclosure of adherence to codes of conduct. The Report has been prepared with reference to the "Format for the report on corporate governance and ownership structure" published by Borsa Italiana (8th edition - January 2019)

The Report, which was approved by the Board of Directors on 19 March 2021, is made available according to the methods required by law along with the documentation relating to the Annual report as at 31 December 2020 for the Shareholders' Meeting and is also available on the website of the authorised storage mechanism [www.emarketstorage.com](http://www.emarketstorage.com) and – together with the other documents of interest to the market – on the Company website [www.sogefigroup.com](http://www.sogefigroup.com), in the "Investor-Corporate Governance" section.

### **1. ISSUER PROFILE**

#### **1.1 Business description of the Issuer**

Sogefi S.p.A. is a holding company operating globally in the automotive sector, supplying components for the automotive industry in the fields of suspension, filtration and air intake and cooling systems. Sogefi S.p.A. is listed on the Milan Stock Exchange in the STAR segment and is a partner of the world's leading manufacturers of automobiles, commercial vehicles and earth moving equipment.

#### **1.2 Governance model adopted by the Issuer**

The Company is organised according to a traditional administration and control model, with the Shareholders' Meeting, a management body, the Board of Directors, and a control body, the Board of Statutory Auditors. The statutory audit is carried out by an independent auditing firm (external body).

The powers and operating rules of the corporate bodies are governed, in addition to the provisions of the law and regulations in force at the time, by the Articles of Association and by several regulations, principles and procedures that are periodically updated.

In particular, as a reference model for its corporate governance, the Issuer has adopted the provisions of the Code of Conduct of Listed Companies of Borsa Italiana (the "Code of Borsa Italiana"), as updated and amended over time by the Corporate Governance Committee and has formulated its own code ("Sogefi's Code of Conduct"). Sogefi's Code describes the main duties and functions of the corporate bodies, as well as the internal control and risk management system of the Company.

Following the introduction in January 2020 of the new Corporate Governance Code for Listed Companies by the Corporate Governance Committee, on 12 February 2021 the Board of Directors of the Company approved the new Corporate Governance Code of Sogefi S.p.A. (the "Sogefi's Corporate Governance Code"), which replaces Sogefi's Code of Conduct in force until the end of financial year 2020. Sogefi's Corporate Governance Code, in force as of 2021, is published on the Company website [www.sogefigroup.com](http://www.sogefigroup.com) in the "Investor-Corporate Governance" section.

The Board of Directors is the central body of the Company corporate governance system; on the basis of the provisions of art. 17 of the Articles of Association, it consists of a minimum of 5 and a maximum of

15 members, appointed by the Shareholders' Meeting, which also determines their number. The Board of Directors is vested with the broadest powers for the management and administration of the Company, with the aim of achieving the corporate purpose and creating value in a medium-long term perspective. The Board of Directors determines the strategic guidelines, verifies the general business performance, defines the corporate governance system and evaluates the internal control system, also in order to identify and manage the main corporate risks.

The Board of Statutory Auditors, on the basis of the provisions of art. 26 of the Articles of Association, is composed of three Acting auditors and three Alternate auditors and has the duties envisaged by the applicable regulations and, in particular, the task of verifying compliance with the law and the Articles of Association, respect for the principles of good administration, the adequacy of the organisational structure, the internal control system and the administrative-accounting system and the procedures for the concrete implementation of the corporate governance rules envisaged by the Corporate Governance Code.

The Shareholders' Meeting is the body responsible for passing resolutions: i) on an ordinary basis, regarding approval of the annual report, appointment and dismissal of the members of the Board of Directors and the Board of Statutory Auditors, determination of their remuneration, appointment of the auditing firm, responsibility of Directors and Acting Auditors; ii) on an extraordinary basis, regarding amendments to the Articles of Association.

The Company and the group it heads have adopted a Code of Ethics in order to make explicit to those who work in the group and to third parties the principles of fairness, loyalty, honesty, impartiality, equal opportunity and confidentiality, completeness and transparency in the management of corporate information.

### 1.3 Statement on the SME nature of the Issuer

Sogefi S.p.A. falls within the definition of SME pursuant to art. 1, paragraph 1, letter w-*quater* of the TUF as indicated in the list of SMEs published by Consob (in January 2021) on its website (art. 2-*ter* paragraph 2, Consob Rules for Issuers), considering the average capitalisation of the last three financial years, which has always been below Euro 500 million (Euro 121.1 million in 2020).

## **2. INFORMATION ON THE OWNERSHIP STRUCTURE (UNDER ART. 123-BIS, PARAGRAPH 1, TUF) AS AT 31 DECEMBER 2020**

### a) Structure of the share capital (under article 123-bis, paragraph 1, letter a), TUF)

The share capital of Sogefi S.p.A. fully paid in at 31 December 2020 amounts to Euro 62,461,355.84, split into 120,117,992 ordinary shares listed at Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. - STAR segment. All ordinary shares carry the same rights and obligations.

<b>STRUCTURE OF THE SHARE CAPITAL</b>				
	N° shares	% of the share capital	Listed/Not Listed	Rights and obligations
Ordinary shares	120.117.992	100%	Mercato Telematico Azionario – FTSE Italia Star	All ordinary shares have the same rights and obligations

Shares with multiple votes	-	-	-	-
Shares with restrictions on vote	-	-	-	-
Treasury shares	-	-	-	-
Other	-	-	-	-

In previous years, the Company implemented stock option plans involving increases in share capital, whose details are provided in the information documents drafted pursuant to article 84-*bis* of Consob Regulation no. 11971/99 (Rules for Issuers) available on the Company website. All stock option plans implemented by the Company have expired.

The Extraordinary Shareholders' Meeting held on 26 September 2014 resolved to increase the share capital by issuing up to 18,572,171 ordinary shares of the Company reserved to serve the conversion of the bonds issued on 21 May 2014. For further details, reference should be made to the related documents available on the Company website (in the Investor-Shareholders' Meetings section).

*b) Restrictions on the transfer of securities (under art. 123-bis, paragraph 1, letter b), TUF)*

The Company shares are freely transferable, except for some applicable restrictions:

- to determined groups of people for limited periods of time, as per Code of Governance concerning Internal Dealing published on the Company website, in the Investor – Corporate Governance section.
- to beneficiaries of the Stock Grant Plans, resolved in the years 2011 to 2020, which envisage a “minimum holding” commitment for the shares assigned to the beneficiaries. The beneficiaries irrevocably undertake to hold continuously a number of shares at least equal to 10% of the shares assigned pursuant to the plan until the fifth anniversary of the grant date; during the above period, the shares will be subject to the inalienability requirement, unless otherwise authorised by the Board of Directors.

*c) Relevant equity investments in the share capital (under art. 123-bis, paragraph 1, letter c), TUF)*

Since Sogefi S.p.A. falls into the category of SME as defined by article 1 of the TUF, only equity investments exceeding 5% of voting rights are listed below.

As of December 31, 2020, the ultimate shareholder that holds directly or indirectly more than 5% of the capital carrying voting right subscribed and fully paid in at 31 December 2020, as per the Shareholders book and on the basis of communications received pursuant to art. 120 of the Italian Legislative Decree no. 58/98 and information available at the Company, is CIR S.p.A. (headed by F.lli De Benedetti S.p.A.) with 66,788,988 SOGEFI shares, equal to 55.60% of the Company capital carrying voting rights.

<b>RELEVANT EQUITY INVESTMENT IN THE SHARE CAPITAL</b>			
Declaring entity	Direct Shareholder	% of share capital	% of voting shares (net of treasury shares)
F.LLI DE BENEDETTI S.p.A.	CIR S.p.A.	55,60%	56,64%

In this regard, it is worth mentioning that the merger by incorporation of CIR S.p.A. into COFIDE S.p.A. became effective on 19 February 2020 (as a result of which COFIDE was renamed “CIR S.p.A. - Compagnie Industriali Riunite”).

d) Securities granting special rights (under art. 123-bis, paragraph 1, letter d), TUF)

All ordinary shares have the same right and obligations. The Company has not issued shares with special control rights.

e) Shareholdings of employees: mechanism to exercise the voting right (under art. 123-bis, paragraph 1, letter e), TUF)

No particular mechanisms to exercise the voting right are in place concerning the shareholding of employees.

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

No limits to the voting right are provided.

g) Agreements between shareholders (under art. 123-bis, paragraph 1, letter g), TUF)

The Company is unaware of agreements between Shareholders of Sogefi S.p.A. in accordance with art. 122 of the TUF.

h) Change of control clauses (under art. 123-bis, paragraph 1, letter h), TUF) and provisions of the Articles of Association concerning takeover bids (under art. 104, paragraph 1-ter and 104-bis, paragraph 1)

Certain loan agreements entered into by Sogefi S.p.A. include "change of control" clauses:

- Loans from Unicredit (2014), ING Bank (2015), Mediobanca (2017), Intesa (2018), Mediobanca (2018), Banca Nazionale del Lavoro (2018) and Mediobanca, Intesa, ING, Unicredit, BNP and LCL (2020), which provide for an early repayment obligation if the following conditions are met: (i) acquisition of the control right on Sogefi S.p.A. by a third party having a credit rating lower than a given limit and (ii) a period of 30 working days has elapsed without the parties being able to come to an agreement to continue the business relationship.
- US private placements (2013) and EU private placements (2019) that include the right of noteholders to obtain the early refund in case of the acquisition of control on Sogefi S.p.A. by a third party with a credit rating lower than a given limit.
- Bond issued (2014) that include the right of the bondholders to get the early refund in case of the

acquisition of control on Sogefi S.p.A. by a third party.

In addition, some subsidiaries have entered into commercial contracts providing, as is customary in international contracts and in the negotiating practices for similar agreements, clauses that give the counterparty the right to terminate the contract in the event of a change in control.

The Articles of Association do not provide for any exceptions to the provisions on the passivity rule set forth in articles 104 and 104-*bis* of the TUF.

*i) Power to increase the share capital and authorisations to buy back treasury shares (under art. 123-bis, paragraph 1, letter m), TUF)*

As stipulated by articles 2443 and 2420-*ter* of the Italian Civil Code, for a maximum period of five years from the date of registration in the Register of Enterprises of the Extraordinary Shareholders' Meeting's resolution of 26 April 2019, the Board of Directors is empowered to:

a) increase the share capital on one or more occasions, by a maximum par value of €100,000,000 free and/or paid, with or without a share premium, also with the exclusion or limitation of option rights pursuant to art. 2441 paragraphs IV and V of the Italian Civil Code, with the right for directors to determine from time to time the category of shares, the issue price of shares (including the share premium, if any), the enjoyment, the possible destination of share capital increase for the conversion of bonds, including those issued by third parties, both in Italy and abroad, or for warrants and to determine the reserves and provisions available to be allocated to capital and their amount; more generally, define the terms and conditions of the share capital increase;

b) increase, on one or more occasions, the share capital by a maximum par value of €5,200,000, by issuing a maximum number of 10 million shares with or without a share premium, including special categories of shares (preference, savings, with special benefits), to be offered for subscription pursuant to art. 2441 V and the last paragraph of the Italian Civil Code, to directors and employees of the Company and its subsidiaries, with the right for the Board to determine the issue price, the subscription requirements and limits on the availability of the shares and, in general the terms and conditions of the said subscription;

c) issue, on one or more occasions, even with exclusion of the option right, and in this case in favour of institutional investors, bonds convertible into shares or carrying rights for the assignment of shares, in any currency, if allowed by law, with a corresponding increase of the share capital, up to a maximum amount of €100,000,000; more generally, the power to define the terms and conditions of the bond issue and its regulation.

The Ordinary Shareholders' Meeting on 20 April 2020 authorised the Board of Directors, according to art. 2357 of the Italian Civil Code, for 18 months starting from the day after the meeting resolution, to buy back a maximum of 10 million treasury shares for a total par value of €5,200,000 (including the treasury shares already being held as treasury stock also through subsidiaries) that cannot exceed one fifth of the share capital of the Company. Purchases must be made at a price no more than 10% higher and no more than 10% lower than the reference price of the shares in the stock exchange session preceding each individual purchase transaction or the date on which the price is fixed and, in any case, if the purchases are made on the regulated market, for a price not exceeding the higher price between the price of the last independent transaction and the price of the highest current independent bid on the same market.

At 31 December 2020 the Company had no. 2,122,229 treasury shares equal to 1.77% of the share capital. The Company did not purchase any treasury shares during financial year 2020.

l) Management and coordination activities (article 2497 et seq. of the Italian Civil Code)

The Company is subject to management and coordination activity by its parent company CIR S.p.A., pursuant to art. 2497 et seq. of the Italian Civil Code.

In this regard, it is worth mentioning that the merger by incorporation of CIR S.p.A. into COFIDE S.p.A. (as a result of which COFIDE was renamed "CIR S.p.A. - Compagnie Industriali Riunite") became effective on 19 February 2020 and the statement of the entity that exerts direction and coordination pursuant to art. 2497-bis of the Italian Civil Code was amended accordingly.

m) Other information - referral

The information required by art. 123-bis, paragraph 1, letter i) of the TUF is contained in the remuneration report drafted in accordance with art. 123-ter of the TUF.

The information required by art. 123-bis, paragraph 1, letter l) of the TUF is illustrated in the section of this Report on the Board of Directors (section 4.1).

**3. COMPLIANCE (UNDER ART. 123-BIS, PARAGRAPH 2, LETTER A), TUF)**

The Company complies with the Code of Conduct of Borsa Italiana S.p.A. approved by the Corporate Governance Committee of the listed companies and endorsed by Borsa Italiana S.p.A., available on the website <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

SOGEFI S.p.A. and its strategic subsidiaries are not subject to non-Italian laws that influence the Issuer's corporate governance structure.

**4. BOARD OF DIRECTORS**

4.1 Appointment and replacement (under art. 123-bis, paragraph 1 letter l) TUF)

As set out in article 17 of the Articles of Association, the Company is administered by a Board of Directors comprised of between five and fifteen members, even not necessarily shareholders. They are appointed by the Shareholders' Meeting for a fixed term which may not exceed three financial years, and are eligible for re-election.

The Shareholders' Meeting determines the number of members of the Board, which shall remain unchanged until a different resolution is passed.

Minority Shareholders have the right to appoint one member of the Board of Directors.

The Board of Directors is appointed by the Shareholders' Meeting on the basis of lists presented by the shareholders in which the candidates must be listed in numerical order; the lists of candidates, signed by the shareholders presenting them, must be filed within the terms and according to the procedures provided for by the applicable regulations. Only shareholders who, alone or together with other shareholders, represent at least one fortieth of the share capital, or such other percentage as may be determined by law or regulation, shall have the right to submit lists, with the burden of proving ownership of the required number of shares within the time limit and in the manner provided for by the applicable regulations.

The lists having three or more candidates shall include members of different gender at least in the proportion prescribed by the existing legislation on equal opportunities and balance between the genders. Lists which fail to comply with the above rules shall be considered inadmissible.

No Shareholder may present or contribute to the presentation of more than one list, even via an

intermediary or trustee. Shareholders subject to the same control pursuant to art. 93 of the TUF or belonging to the same voting syndicate may present or contribute to the presentation of only one list. Each Shareholder can vote for just one list. Each candidate may stand in one list only, on pain of disqualification.

For the nomination to go forward, the lists presented and submitted for voting must obtain at least half the percentage of votes required under this Article for the presentation of the lists themselves. Lists which do not meet this condition shall be considered null and void.

The election of the members of the Board of Directors shall take place as follows:

- a) from the list that obtained the highest number of votes during the Meeting, as many directors as required to make up the Board minus one are taken in the numerical order in which they were listed;
- b) from the list that obtained the second highest number of votes during the Meeting, and provided that (i) it is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list and (ii) it has obtained the percentage of votes required above, the candidate at the top of this second list is nominated as the final board member.

If application of the procedure described in letters a) and b) does not allow compliance with the gender balance required by current legislation, the last elected candidate on the list that obtained the highest number of votes belonging to the most represented gender shall be removed from office and replaced by the first unelected candidate on the same list belonging to the least represented gender. If none, the assembly shall integrate the administrative body pursuant to the majorities foreseen by the law, thus ensuring the requirement fulfilment.

If only one list is presented or admitted, all Directors are appointed from that list. If no list is presented or if fewer Directors are elected than the number determined by the Shareholders' Meeting, the Shareholders' Meeting must be reconvened to appoint the entire Board of Directors.

All elected Directors must meet the criteria of respectability and professional conduct laid down in the current regulations. Failure to meet these criteria will mean disqualification from the position.

In accordance with the Sogefi's Code of Conduct and in compliance with the terms of the Market Regulation adopted by Consob, Independent Directors represent the majority of the members of the Board of Directors. In addition, the Committees established by the Board of Directors are made up exclusively of independent directors. Therefore, the presence of independent directors on the Board of Directors and on its internal Committees is a suitable element to ensure adequate protection of shareholders' interests.

If as a result of resignations or for other reasons one or more Directors ceases to serve, they are replaced in accordance with art. 2386 of the Civil Code, in compliance with the applicable requirements.

The Company has adopted the Executive Director Succession Plan (Chair and Managing Director), which was last approved by the Board of Directors on 21 March 2021, subject to review by the Appointment and Remuneration Committee. This plan ensures the orderly succession of executive directors in the event of early termination of office, in accordance with the procedure set out therein.

The persons directly involved in the process of early replacement are: the Chair, responsible for ascertaining the existence of the prerequisites for the termination of office and convening the Board of Directors, as well as temporarily taking urgent action, and the Appointment and Remuneration Committee, called upon to assist the Board of Directors in the process of evaluating candidates.

The Succession Plan shall be reviewed and, if deemed appropriate, updated at least every three years.

#### 4.2 Composition (under art. 123-bis, paragraph 2 letter d) and d-bis) TUF)

At the end of the financial year 2020, the Board of Directors was composed of eight Directors: Monica Mondardini (Chair), Patrizia Canziani, Rodolfo De Benedetti, Roberta Di Vieto, Mauro Melis, Ervino Riccobon and Christian Streiff, appointed by the Shareholders' Meeting on 26 April 2019; Mauro Fenzi (who also held the position of Managing Director) co-opted pursuant to art. 2386 of the Italian Civil Code at the Board of Directors' meeting of 9 December 2019 and confirmed by the Shareholders' Meeting on 20 April 2020.

After the end of the financial year, on 26 February 2021, following the resignation of Mauro Fenzi, the Board of Directors co-opted, under art. 2386 of the Italian Civil Code, Frédéric Sipahi, assigning him the position of Managing Director, as of 26 February 2021 and of General Manager of the Company as of 1 March 2021.

In terms of their number and prestige, the non-executive Directors are such as to guarantee a significant contribution to Board decision making; they bring their own specific skills to Board debates and help make decisions in the interests of the Company.

For the profiles of each Director, please refer to the *curricula vitae* available on the website of the authorised storage mechanism [www.emarketstorage.com](http://www.emarketstorage.com) and on the Company website [www.sogefigroup.com](http://www.sogefigroup.com), in the "Group-Corporate Bodies" section.

The Board, having carried out the necessary checks, has decided to classify the following directors as independent: Patrizia Canziani, Roberta Di Vieto, Mauro Melis, Ervino Riccobon and Christian Streiff. Five directors out of a total of eight meet the criteria of independence as required by law and the Code of Conduct.

The majority of the members of the Board of Directors are therefore independent. The composition of the Board of Directors of the Issuer is certainly such as to ensure a sufficient level of operational autonomy, aimed at the maximisation of its economic and financial objectives of the Issuer.

Carlo De Benedetti is Honorary President of the Company.

With regard to diversity criteria and policies, following the entry into force of Italian Legislative Decree no. 254/16, letter *d-bis* of paragraph 2 of article 123-bis of the TUF was added, in which it is stipulated that the Corporate Governance Report must "*contain a description of the diversity policies applied in relation to the composition of the administration, management and control bodies with regard to aspects such as age, gender composition and educational and professional background, as well as a description of the objectives, implementation methods and results of such policies. In the event that no policy is applied, the company shall give clear and detailed reasons for this choice*".

With reference to the gender composition of the administration, management and control bodies, the Articles of Association of the Company, as already illustrated in point 4.1, expressly provide for mechanisms aimed at ensuring compliance with the gender balance in the process of appointing the Board of Directors and the Board of Statutory Auditors. This is confirmed by the current composition of the Issuer's corporate bodies:

- the Board of Directors is composed of 3 women Directors out of a total of 8 members;
- two out of three of the Board Committees set up by the Board of Directors are chaired by women Directors;
- the Board of Statutory Auditors consists of three Acting Auditors, one of whom is from the least represented gender, and three Alternate Auditors, one of whom is from the least represented gender.

With regard to the adoption of further diversity policies, the Board of Directors of the Company met on

26 February 2018 and expressed its orientation not to adopt further policies concerning the composition of the administration and control bodies, as referred to in art. 123-*bis*, paragraph 2, letter d-*bis* of the TUF, taking into account that, without prejudice to the requirements of integrity, professionalism and independence, as well as situations of incompatibility and/or termination of office provided for by law and the Articles of Association:

- the Board periodically assesses size, composition and operation of the Board itself and its committees once a year, also taking into account the elements such as professional skills, experience (including managerial experience), gender and seniority of its members;
- prior to the appointment of the new Board of Directors, the Board of Directors may express to the Shareholders its orientation on the managerial and professional figures whose presence on the Board is considered appropriate, thus orienting, in respect of the reciprocal duties and prerogatives, the choices of the Shareholders in the free designation of the members of the administrative body.

Without prejudice to the possibility of reconsidering its position in the future, the Board has deemed the above to be sufficient to guarantee an adequate diversity of the composition of the administrative body; this assessment is reflected in the current composition of the Board itself according to the various aspects considered, namely: age, gender, experience/seniority, professional skills, education/training, culture and international scope.

In this regard, the results of the Board Review process for the year 2020, confirmed the adequacy of the composition in terms of diversity (*lato sensu*) of the current Board as well as the circumstance that the Board as a whole includes a balanced mix of experience and skills, adequate and in line with the future needs of the Company.

In order to ensure the necessary availability of Directors, the Board of Directors, assisted by the Appointment and Remuneration Committee, has adopted the following guidelines regarding the maximum number of offices that an executive and non-executive Director of the Issuer may hold in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance companies or companies of significant size ("Significant Companies"), as defined by the Board:

- executive directors may not hold any other positions as executive director or acting auditor in Significant Companies other than CIR S.p.A. and the companies headed by it and may hold a maximum of three positions as non-executive director in Significant Companies other than CIR S.p.A. and the companies headed by it;
- non-executive directors may hold further offices for a maximum of five as director or acting auditor in Significant Companies other than CIR S.p.A. and the companies headed by it, of which no more than two as an executive director.

It should be noted that: (i) "companies of significant size" shall mean companies whose turnover exceeds €500 million and/or balance sheet assets exceeds €1,000 million and/or whose number of employees exceeds 2,000; (ii) "financial companies" shall mean only companies providing financial services to the public and are subject to supervision; (iii) offices held in Significant Companies belonging to the same group shall count as a single office (and such single office shall be considered as an executive director for the purposes of calculating the limits, if at least one of the offices held in the same group is of executive director).

The above general criteria may always be waived with reference to one or more directors by means of a reasoned resolution of the Board of Directors. When deciding on exceptions, the Board of Directors may also take into account the attendance records of the director concerned at meetings of the Board of Directors and Committees of Sogefi.

Currently, all Directors hold fewer than the maximum number of offices under the criteria established by

the Board of Directors, as reflected in the information provided in Annex B.

The Board of Directors shall ensure that Directors and Acting Auditors can take part in an *induction program* after their appointment and during their term of office, i.e. initiatives aimed at providing them with adequate knowledge of the business sectors in which the Issuer operates, of corporate dynamics and their evolution, of the principles of proper risk management, as well as of the regulatory and self-regulatory framework of reference.

In previous years regular induction meetings had been held; in 2020, the Covid-19 health emergency led the Board and management to focus on monitoring the impacts of the spread of the pandemic on the Group operations and the measures and actions to be taken to limit the health, economic and financial impacts on the Company and, within its province, the group.

#### 4.3 Role of the Board of Directors (under art. 123-bis, paragraph 2 letter d) TUF)

During 2020, the Board of Directors met ten times. The average duration of the meetings was about three hours.

It should be noted that as at the date of this Report, the Board has met on 3 occasions since 1 January 2021 and a further 5 meetings are planned for 2021.

The Board of Directors has identified three days as an adequate period of notice for the receipt of pre-meeting information; this notice period is a management objective and was generally observed, in particular with reference to the documentation that requires more time for analysis. With regard to the quality of disclosures, the Board of Directors expressed broad satisfaction during the last review of its performance.

It should be noted that, due to the Covid-19 pandemic emergency, attendance to Board sessions was mainly by remote means of communication, as provided for in the Articles of Association.

The Executive responsible for preparing corporate accounting documents attends all the meetings of the Board of Directors.

Pursuant to art. 23 of the Articles of Association, the Board of Directors exercises the widest powers of ordinary and extraordinary administration, without any exceptions, and has the power to perform all the acts deemed appropriate in carrying out all the activities comprising or instrumental to the achievement of the corporate objects, except for those powers which the law or the Articles of Association reserve specifically for the Shareholders' Meeting.

The Board of Directors: (i) examines and approves the strategic, industrial and financial plans of the Company and of the Group by checking their implementation on a regular basis; (ii) defines the nature and level of risk compatible with the Company's strategic objectives, taking into account, in terms of possible impacts, the main risks relating to the business of the subsidiaries; (iii) assesses the adequacy of the organisational, administrative and accounting structure of the Company, as well as the one of the strategic subsidiaries, in particular referring to the internal control and risk management system; (iv) examines and approves in advance the Company's transactions and reviews those of its strategic subsidiaries, based on the parameters of significance and the procedures adopted by the Board of Directors;

In 2020, the Board also reviewed the performance of the Company and the group on a quarterly basis, based on the reports and presentations made by the Managing Director and the Executive responsible for preparing corporate accounting documents, systematically comparing the results achieved with those of the previous year and with those forecast in the budget. Taking into account the particular circumstances

brought about by the health emergency and their significant impact on the group main activities, it has also analysed the short-term forecasts on the evolution of the business and the related impact on the financial requirements, on liquidity and on compliance with the covenants on a quarterly basis.

As it does every year, the Board of Directors assessed the size, composition and functioning of the Board and its committees. The process was organised and managed by the Company, through an anonymous questionnaire sent to all Directors.

The questionnaire covered the following areas: number, frequency and scheduling of meetings, composition of the Board of Directors, flow of information, decision-making process, information provided by the Managing Director, disclosure about relationships with shareholders and the market, rules of operation of the Committees, Supervisory Board and Board of Statutory Auditors.

The results were analysed by the Appointment and Remuneration Committee and presented to the Board of Directors at its meeting on 12 February 2021.

The results of the self-assessment, which were presented to the Board of Directors by the Chair of the Appointment and Remuneration Committee, can be summarised as an overall very positive assessment of the size, composition and performance of the Board itself and its Committees (by way of example, 93% of the responses were positive, and the remaining neutral with indication of areas for possible improvement).

It should be noted that, for the purposes of the self-assessment, the Board did not rely on any external consultants; on this matter, the Board of Directors considers alternating processes managed by the Company, with processes managed instead by external consultants, as already occurred in previous years.

#### 4.4 Delegated Bodies

##### Managing Director

As far as the Managing Director is concerned, on 9 December 2019, pursuant to art. 2386 of the Italian Civil Code, the Board of Directors co-opted Mauro Fenzi as a Director of the Company, appointing him as Managing Director and main person in charge of business operations (Chief Executive Officer); Mr. Fenzi resigned effective 26 February 2021.

On that date, the Board of Directors co-opted, pursuant to article 2386 of the Italian Civil Code, Frédéric Sipahi as a Director of the Company, appointing him Managing Director and main person in charge of business operations (Chief Executive Officer) and, effective 1 March 2021, as General Manager.

The Managing Director is granted powers and responsibilities for strategic, industrial and financial planning of the Company and the Group. To this end he/she is granted the following powers: (a) driving and defining the strategic, industrial and financial plans of the Company and the Group to be submitted to the examination and approval of the Board of Directors; (b) drawing up and proposing corporate investment policies and programmes within the framework of the multi-year plans for the development strategies approved by the Board of Directors; (c) drafting and proposing the financial strategies and policies of the Company and the Group in relation to the development, profitability and risk objectives set by the Board of Directors, with responsibility for their implementation; checking that the objectives are implemented in accordance with the guidelines laid down by the Board of Directors on the matter; (d) overseeing the adequacy of the organisational, administrative and accounting structure, having regard to the nature and size of the Company and in accordance with the guidelines laid down by the Board of Directors; (e) optimising financial management tools and procedures, overseeing and maintaining relations with the financial system; (f) drafting and proposing strategies relating to organisational

development and policies for the recruitment, management and training of human resources; (g) exercising the prerogatives of person in charge of the control and risk management system; (h) governing the process of preparing the annual report and other periodic (quarterly and half-yearly reports) or extraordinary accounting documents, to be submitted for the approval of the Board of Directors; (i) coordinating the preparation of the business plans, the multi-year plans, the annual budget and the related reporting; (j) identifying the top management lines to which to direct the management of all the interests in associated and investee companies, associations, consortia, joint ventures, also with reference to the criteria and principles to be followed in exercising the right to vote in the shareholders' meetings of the associated and investee companies, for the purpose of their approval by the Board of Directors; (k) sending in advance to the Chair the information directed to the Board in order to ensure the maximum completeness and accuracy of information for all Directors; (l) signing, subject to review and approval by the Chair, the communications required by the laws and regulations governing companies listed on the Stock Exchange; (m) hiring, appointing, dismissing and revoking executive members of staff; amending the economic and regulatory terms and conditions of management employment contracts, as well as settling any related disputes; (n) grant their own delegations to others, with more limited powers, granting powers of attorney for specific acts or categories of acts of ordinary business; (o) taking on the role of Director in charge of the control and risk management system. In his capacity as Managing Director, Mr. Sipahi was granted the broadest power of management and representation, so that he might supervise the ordinary management and operations of the Company, performing all required and instrumental acts, as well as the power to represent the Company before any Authority and before all public and private Entities and third parties in general, in all ordinary management business.

The Company complies with the so called ban on interlocking directorates, i.e. the principle that the chief executive officer of an issuer cannot take a position as director of another issuer not belonging to the same group, in which a director of the issuer is chief executive officer.

#### Chair of the Board of Directors

On 26 April 2019, following the Shareholders' Meeting that appointed the Board for the three-year period 2019-2022, the Board of Directors appointed Monica Mondardini as Chairperson, granting her the tasks and powers to: (a) represent the Company in Italy and abroad before any judicial, administrative, fiscal, ordinary and special authority at any level and location with the power to sign any deed or declaration, proposing and supporting actions, defences, exceptions, appointing and revoking lawyers and attorneys; (b) maintain relations with institutional bodies, public and private, national and international organisations; (c) receive the information directed to the Board from the Managing Director and examine it in advance in order to ensure the maximum completeness and accuracy of information for all Directors; (d) receive the communications required by the laws and regulations governing listed companies from the Managing Director and examine them advance; (e) supervise the activities of the Internal Audit function, without prejudice to the prerogatives of both the Managing Director, as the person in charge of the control and risk management system, and the control and risk committee; (f) act as a driver and supervisor with regard to the application of corporate governance rules concerning the activities of the Board of Directors; (g) grant powers of attorney and assign permanent powers and/or powers to perform individual acts or categories of acts.

#### Information to the Board of Directors

In compliance with the provisions of the regulations and laws in force, as well as with art. 21 of the Articles of Association, the Managing Director reports to the Board of Directors and the Board of Statutory Auditors at least quarterly on the exercise of their powers and on the most important economic and financial transactions carried out by the Company and its subsidiaries, as well as on transactions with

related parties, at the meetings of the Board of Directors.

#### 4.5 Other Executive Directors

There are no executive directors other than those listed above.

#### 4.6 Independent Directors

The Board of Directors evaluates the independence of the directors on the basis of the provisions of art. 148, paragraph 3, of the TUF, and the criteria defined by the Corporate Governance Code.

In compliance with the terms of the Market Regulation adopted by Consob, Independent Directors represent the majority of the Board. There are therefore currently five Independent Directors out of a total of eight directors.

In this regard, on 26 April 2019, the Board of Directors, at the time of the appointment of the administrative body, on the basis of the information provided by the interested party or in any case available to the Issuer, positively assessed the possession of the independence requirements in relation to the Directors Patrizia Canziani, Roberta Di Vieto, Mauro Melis, Ervino Riccobon, Christian Streiff, who declared, under their own responsibility, that they could qualify as "independent" (i) pursuant to art. 147 *ter* of the TUF, referring to the requirements of art. 148, paragraph 3, of the same decree, and (ii) of the Code of Conduct of Sogefi S.p.A.; the outcome of this assessment was communicated to the market.

These Directors have also undertaken to promptly notify the Company of the emergence of any circumstances that may be considered relevant to the fulfilment of the independence requirements. Beginning in financial year 2021, upon the Company's adoption of its new Corporate Governance Code, if there are new facts that, in the opinion of the Board of Directors, impair independence, the director will be required to resign.

It should be noted that one Director has exceeded the limit of nine years in office during the last twelve years and, as provided by the Code of Conduct, this is a circumstance that could compromise the director's independence. In fact, Director Roberta Di Vieto has been a director of the Company since 20 April 2010. Nevertheless, the Board of Directors decided to classify the Director as independent, in view of the integrity and independence of judgement she has always shown and taking into account the power of the Board of Directors to make exceptions, as provided for in the Code of Conduct.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

The Board of Directors evaluates the continued existence of the independence requirements of its Directors on an annual basis.

#### 4.7 Lead Independent Director

The Board of Directors appoints a lead independent director, a reference person that shall coordinate non-executive Directors, and in particular the independent ones, who collaborates with the Chair in order to ensure that the Directors receive complete and timely information.

The lead independent director also has the power to convene, either independently or on the request of the other Directors, specific meetings of independent directors to discuss issues of interest to the work of the Board of Directors or Company management.

On 26 April 2019, the Board of Directors appointed Independent Director Mauro Melis as Lead Independent Director until the expiration of the term of office of the Board of Directors, i.e., until the Shareholders' Meeting called to approve the Annual report as at 31 December 2021.

## **5. PROCESSING OF CORPORATE INFORMATION**

In order to ensure the correct management of corporate information, the Board of Directors has adopted the Code of Conduct on Internal Dealing and a Procedure for the internal management and external communication of documents and information concerning the Company, with particular reference to inside information.

The Code of Conduct on Internal Dealing was approved by the Board of Directors of the Company on 25 July 2016 and subsequently amended on 24 July 2018 and 22 October 2018, in compliance with EU Regulation No. 596/2014 ("MAR"), EU Implementing Regulation 2016/523 and EU Delegated Regulation 2016/522 as well as article 114, paragraph 7, of the TUF and the relevant implementing rules contained in the Rules for Issuers.

The Corporate Service office, in its capacity as Designated Party, is responsible for the receipt, management and disclosure to the market of significant transactions carried out with regard to the Issuer's security and the related financial instruments, by "significant subject" and "closely related subjects", as identified by current legislation. In order to ensure the timely fulfilment of the disclosure obligations, the aforementioned relevant subjects are given specific information through the delivery of the Code of Conduct on Internal Dealing, which (i) collects the law and regulatory provisions that form the reference regulatory framework, (ii) indicates the terms and methods with which communications must be made to Consob, to the Issuer and to the market, (iii) requires disclosure to the Issuer of any closely related persons and (iv) indicates the rules relating to the so-called "blocking period", i.e. the prohibition for the significant subjects to carry out transactions in specific periods of the year (coinciding with the thirty calendar days preceding the announcement of accounting/financial data relating to the draft annual report, the consolidated annual report, the half-yearly financial report and the interim financial reports).

The Procedure for the management, processing and communication of significant and inside information contains provisions relating to the internal management and external communication of corporate documents and information concerning Sogefi S.p.A. and its subsidiaries, with particular reference to Significant and Inside Information, as well as provisions relating to the keeping and updating of lists of persons who have access to Significant and Inside Information. The Procedure was adopted in compliance with the regulatory provisions on "market abuse" and the corresponding guidelines issued by the Supervisory Authority and in particular in accordance with the Guidelines for the Management of Inside Information issued by Consob in October 2017, and is aimed in particular at guaranteeing (i) the utmost confidentiality in the management of Significant and Inside Information as well as respect for the principles of transparency and truthfulness in the disclosure of such information to the outside and (ii) the correct keeping and the constant updating of the lists of people who have access to Significant and Inside Information.

The procedures are available on Sogefi's website in the "Investor-Corporate Governance" section.

## **6. COMMITTEES WITHIN THE BOARD**

The Board of Directors has set up three Board Committees: the Appointment and Remuneration Committee, the Control, Risk and Sustainability Committee and the Committee for Related Party Transactions.

The Committees are all made up of non-executive and independent directors.

As provided for in its Corporate Governance Code, the Company has decided, due to the organisational structure of the Group and also taking into account the skills of the appointed members, to combine the functions of the Appointment Committee and the Remuneration Committee, in a single committee, within which there is adequate expertise in financial matters or remuneration policy, called the Appointment and Remuneration Committee, and approved the relevant regulations most recently on 19 March 2021.

For a complete description of the composition, functioning and duties assigned to the individual Committees, please refer to Sogefi's Corporate Governance Code.

#### ***7/8. APPOINTMENT AND REMUNERATION COMMITTEE***

The Appointment and Remuneration Committee consists of 3 independent non-executive Directors, as listed below: Mauro Melis, Ervino Riccobon and Christian Streiff. The Board believes that this composition ensures that the Committee has adequate experience in accounting and financial matters and remuneration policies.

Meetings are duly minuted, the Board of Statutory Auditors attends and the Chair of the Committee manages the works and reports to the Board of Directors at the first useful meeting of the latter. No persons who are not members of the Committee or of the control body may attend Committee meetings, with the exception of Company employees called upon by the Committee to perform support functions or provide information. The Committee occasionally invited the Chair or Managing Director to speak, to provide information or views that the Committee wished to acquire.

In 2020, the Appointment and Remuneration Committee met three times and all members attended the meetings. The Committee met four times during this financial year and as at the date of this Report, also in connection with the appointment of the new Chief Executive Officer, a process in which the Committee played a key role, as provided by the Code of Corporate Governance of the Company and by the Succession plan.

The Appointment and Remuneration Committee carries out advisory, propositional and monitoring functions in two areas: (i) the composition of the Board, the appointment of directors, if required, and the self-assessment activity, and (ii) the definition of the remuneration policy, as well as the determination of the remuneration of executive directors, non-executive directors for participation in committees, the general manager and executives with strategic responsibilities.

For a more detailed description of the duties of the Appointment and Remuneration Committee, please refer to the Company's Corporate Governance Code.

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

The Board of Directors has established a remuneration policy, adopting the principles and recommendations of the Corporate Governance Code on remuneration.

For further details, reference should be made to the report on remuneration policy and compensation paid, published on the Company's website in the "Shareholders Meeting" section.

#### ***Directors' indemnities in the event of resignation or termination of employment***

The contract entered into with the Managing Director in office since 9 December 2019 and General Manager since 1 January 2020, Ing. Mauro Fenzi, provided for a severance payment, under certain

circumstances, in the event of early termination of employment. Ing. Fenzi resigned as Managing Director and General Manager on 26 February 2021, under circumstances that did not give rise to the right to receive such severance payment and therefore no amount was paid in that respect.

With regard to Ing. Laurent Hebenstreit, who resigned from the position of Managing Director and was terminated as General Manager, on December 9, 2019, remaining manager, he left the Company following a settlement agreement entered into with the Company, on May 15, 2020, which provided for (i) the payment of a gross amount of €300,000, in addition to termination fees as required by law, and (ii) the preservation of rights related to the 2016 and 2017 Stock Grant Plans, for a total remaining 49,308 Units, under the terms of the relevant Regulations. The non-competition agreement provided for in the employment contract did not apply, and therefore no amount was recognised for this reason. Similarly, no amount was paid in relation to the termination of the office of Managing Director.

## **10. CONTROL AND RISK COMMITTEE**

The Control, Risk and Sustainability Committee consists of 3 independent non-executive Directors, as listed below: Roberta Di Vieto, Mauro Melis and Patrizia Canziani. The Board believes that this composition ensures that the Committee has adequate experience in accounting, finance and risk management.

Meetings are duly minuted, the Board of Statutory Auditors attends and the Chair of the Committee Roberta Di Vieto manages the works and reports to the Board of Directors at the first useful meeting of the latter and in any case at least once every six months, coinciding with the review of the annual and half-yearly financial reports.

In 2020, the Committee met seven times and all members attended the meetings. The Committee met three times during this financial year and as at the date of this Report.

The Manager responsible for preparing the corporate accounting documents and the Head of Internal Audit attended the meetings of the Committee, called upon by the Committee to provide support or information.

The Committee has the right to access the information and company departments necessary to carry out its tasks and to make use of external resources. To this end, the Board of Directors has allocated a specific spending budget for the Committee, which was not used by the Committee since, on all significant matters, the Company has used external consultants of the highest standing, if deemed appropriate.

The Committee advises, makes proposals and monitors the internal control and risk management system, and supports the Board of Directors in defining guidelines for the Company's internal control and risk management system and in assessing its adequacy on an annual basis. The tasks assigned to it are those envisaged by the Code of Corporate Governance for Listed Companies, as implemented by Sogefi's Code of Corporate Governance.

In 2020 and early 2021, the committee conducted the following activities:

- verified the correct use of the accounting principles and their uniformity for the purpose of preparing the annual report and the 2020 consolidated annual report, having consulted the manager responsible for preparing corporate accounting documents, the independent auditor and the board of statutory auditors;
- analysed the main corporate risks on the basis of the report prepared by the risk management function;
- assessed the adequacy of the internal control and risk management system on the basis of reports prepared by the Internal Audit function;

- monitored the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- examined and expressed its opinion on the annual Internal Audit plan of the Company;
- examined the key results of the audit activities carried out, as resulting from the periodic reports prepared by the function;
- systematically reported to the Board of Directors on the results of its assessments, also providing half-yearly and annual reports on the activities carried out;
- it also verified the correct use of the standards adopted for the preparation of non-financial reporting, having consulted the competent function, the independent auditor and the board of statutory auditors.

## ***11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM***

The internal control and risk management system is the set of rules, procedures and organisational structures aimed at allowing, through an adequate identification, measurement, management and monitoring process of the main risks, a healthy and correct business management, in line with the established objectives of sustainable success of the Company and its Group.

The purposes of the Control and Risk System, the bodies and the positions responsible for it are outlined in art. 6 of Sogefi's Corporate Governance Code.

The Board of Directors, during the year 2020, with the support of the Control and Risk Committee:

- identified the nature and the risk level compatible with strategic objectives;
- assessed the adequacy, effectiveness and efficiency of the Control and Risk Management System in relation to the activities and the risk profile assumed, also taking into account the assessments of the Control, Risk and Sustainability Committee;
- approved the Audit Plan proposed by Control, Risk and Sustainability Committee, after consultation by the Board of Statutory Auditors.

### ***11.1 Director in charge of the internal control and risk management system***

Pursuant to article 6 of the Corporate Governance Code of Sogefi, the Managing Director is the executive director responsible for ensuring the functionality and adequacy of the internal control system.

In the performance of this function, the Managing Director identified the main corporate risks and designed, implemented and managed the internal control and risk management system, constantly checking its adequacy and effectiveness; where necessary, they also have the power to ask the Internal Audit function to carry out checks on specific operational areas.

For risks, the Board of Directors adopted the Company Guidelines on the Internal Control and Risk Management System, which were partially supplemented and amended on 22 July 2019.

### ***11.2 Head of the internal audit function***

The Company Internal Audit Manager is Dott. Giorgio Imposimato, appointed on 23 October 2012 by the Board of Directors, upon proposal of the Director responsible for the internal control and risk management system, with the previous approval of the Control and Risk Committee and after consultation with the Board of Statutory Auditors.

The head of Internal Audit verified, within the scope of the assignment granted thereto, the efficiency and suitability of the internal control system, formulated and executed an audit plan, approved by the Board

of Directors, he verified the reliability of the accounting and IT systems, having access to all information useful for carrying out the assignment, and finally prepared reports on his/her activities, as well as on compliance with the risk control plans, transmitting them to the chairs of the Board of Statutory Auditors, the Control, Risk and Sustainability Committee and the Board of Directors, as well as to the Managing Director.

### 11.3 Organisational model pursuant to Italian Legislative Decree. 231/2001

Italian Legislative Decree 231/2001 on “The administrative responsibility of corporations, companies and non-incorporated associations, enacting art. 11 of (Italian) Law no. 300 of 29 September 2000”, and subsequent amendments and additions introduces criminal liability for companies in the event of acts of fraud committed by persons holding positions of responsibility within the company in the interests, or to the benefit of the same. This type of liability was also extended by Italian Legislative Decree no. 61/2002 to the commission of corporate offences.

The decree provides for the possibility of exempting the company from liability if it can be proved that it has adopted and effectively implemented organisational models suitable for preventing criminal offences and that it has entrusted a body with autonomous powers of initiative and control with the task of supervising the functioning of and compliance with the model and ensuring that it is updated.

The Company adopted an “Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231 of 8 June 2001” (Organisational Model) in 2004. The Organisational Model is regularly updated to take account of the additional types of offences included in the Decree and was last revised on 16 October 2020.

On 26 April 2019, the Board of Directors appointed as members of the Supervisory Body, pursuant to Italian Legislative Decree 231/01, Andrea Gottardo, Giuseppe Bianchi and Vittorio Gennaro, who perform their function in coordination with the Internal Audit function.

During 2020, the Company's Supervisory Body held 5 meetings and supervised the operation of and compliance with the Organisation, Management and Control Model adopted by the Company, verifying its effectiveness and proposing the necessary updates based on the evolution of the regulations.

### 11.4 Independent Auditors

The Shareholders' Meeting of 26 April 2017 resolved to appoint KPMG S.p.A. as independent auditor for the financial years 2017-2025.

### 11.5 Manager responsible for preparing corporate accounting documents

In compliance with the Company Articles of Association, on 26 July 2007, the Board of Directors appointed the Manager responsible for preparing corporate accounting documents pursuant to art. 154-*bis* of the TUF. Since 1 August 2015 the position of Manager in Charge (manager responsible for preparing corporate accounting documents) has been trusted to the Chief Administrative, Finance and Control Officer, Yann Albrand, who meets the law requirements having adequate experience in accounting and financial matters. The manager in charge has adequate powers and means to carry out his/her duties, granted by means of a specific power of attorney.

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

The Board of Directors of the Company defines the methods of coordination between the parties involved in the internal control and risk management system, ensuring that the activities carried out by these parties are properly documented, and that the results are shared in special meetings of the Board and the Control and Risk Committee, which are held periodically at least once every six months, or more frequently if necessary.

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

The procedure for transactions with related parties was approved by the Board of Directors of the Company on 19 October 2010 and subsequently updated.

The Procedure (i) determines the criteria and procedures for identifying the related parties of the Company and defines the criteria for updating the list of related parties; (ii) establishes the principles for identifying transactions with related parties; (iii) regulates the procedures for the Company to carry out transactions with related parties, identifying internal rules of conduct suitable for ensuring the transparency and substantial and procedural fairness of such transactions; (iv) establishes the procedures for fulfilling the related disclosure obligations. The procedure is available on the Company website, in the “Investor-Corporate Governance” section.

## ***13. APPOINTMENT OF ACTING AUDITORS***

The appointment of the Acting Auditors and functioning of the corresponding Board are regulated by art. 26 of the Company Articles of Association and referred to in art. 2 of Sogefi's Corporate Governance Code.

The Board of Statutory Auditors consists of three acting auditors and three alternate auditors, who remain in office for three financial years and may be re-elected; the candidates must be chosen from persons who can be qualified as independent on the basis of the criteria laid down for Directors and the proposed lists must include members belonging to both genders.

Minority Shareholders who, alone or together with others, represent at least 2.5% of the share capital, shall be entitled to elect one acting auditor and one alternate auditor; the Chair of the Board of Statutory Auditors shall be the candidate on the minority list that obtained the highest number of votes.

## ***14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS***

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on 23 April 2018, with a three-year term of office, which will therefore expire with the approval of the Annual report as at 31 December 2020. Two members of the Board of Statutory Auditors, Giuseppe Leoni and Riccardo Zingales, were chosen from the list presented to the Shareholders' Meeting by the controlling shareholder CIR S.p.A. and one member, Sonia Peron, from a list presented by minority shareholders who together hold 6.86559% of the share capital. For further details, please refer to the attached Table 3.

Consistent with the provisions of its Corporate Governance Code, the control body also features an adequate diversity, in terms of gender, age, experience/seniority, professional skills, education and international scope.

On occasion of their appointment, all the Acting Auditors have deposited the declarations whereby they stated non-existence of any cause of ineligibility and incompatibility provided by the law, as well as the possession of independence, professional and integrity requirements as stipulated by the law in force and by the Articles of Association of the Company.

In 2020 the Board of Statutory Auditors verified compliance with the said criteria, ensuring that the results of this check were published in this Report. As an exception to the provisions of the Code of Conduct for Listed Companies previously in force, the independence of the Acting Auditors Giuseppe Leoni and Riccardo Zingales was positively assessed, notwithstanding their persistence in office for more than nine years over the last twelve. Substance prevailed over form, therefore the actual relations possibly entertained by these persons with the Company and the manner of exercise of their functions have been analysed and found to be fully independent regarding judgement and free regarding assessment of management performance.

The Board of Statutory Auditors met 21 times during 2020. The Acting Auditors were involved in update meetings that provided them with an adequate understanding of the business sector in which the Company and its main subsidiaries operate, the Company dynamics and risk management. In particular, they attended the meetings of the Risk Control Committee and spoke with the Internal Audit function and the Supervisory Body.

The remuneration of the Acting Auditors was established in consideration of the commitment required and the importance of their role, in relation to the size and business sector of the Company.

The mandate of the Board of the Statutory Auditors will expire with the Shareholders Meeting called to approve the Company's financial statements as of 31 December 2020.

## **15. RELATIONS WITH THE SHAREHOLDERS**

The Company has created an "Investor" section on its website, whereby it makes available all the details that are most important for its shareholders, such as its strategy, highlights of its main financial figures, annual report presentations dedicated to shareholders, press releases and the performance of Sogefi's stock on the Stock Exchange.

The person in charge of managing relations with shareholders (Investor Relations Manager) is Yann Albrand, who also serves as the Group Chief Administrative, Finance and Control Officer (*Chief Financial Officer*) and as the Manager responsible for preparing corporate accounting documents.

On the occasion of the publication of its annual and half-year results, the Company organises a conference call for its shareholders, during which the Managing Director and the manager responsible for managing relations with shareholders illustrate and comment on the results for the period.

## **16. MEETINGS**

The works and operations of the shareholders' meeting are regulated by articles 10-16 of the Articles of Association. In particular, the procedures and terms for convening Meetings are set forth by art. 10 of the Articles of Association. Each share gives the right to one vote.

The Shareholders' Meeting of 27 April 2001, in line with the Code of Conduct of Borsa Italiana S.p.A., approved and then updated the Regulations for Shareholders' Meeting, regulating the procedures for attendance, participation and voting at the meeting, published on the Company website (Corporate Governance section). Shareholders entitled to exercise their voting rights may ask to speak on the matters under discussion, making comments and requesting information, to which the Chair of the Board of Directors will reply.

The Board of Directors shall make available to the Shareholders, within the terms provided for by the regulations in force, a file containing the proposals on the agenda of the Shareholders' Meeting, the related material to be discussed and the answers to the questions submitted by the Shareholders.

As far as possible, all the Directors and Acting Auditors attend the Shareholders' Meetings, and in particular those Directors who, due to the positions they hold, can make a useful contribution to the discussion. On the occasion of the approval of the statutory Annual report, a presentation is made with the aim of providing the Shareholders with adequate information on the Company performance and the activities carried out. Speeches will be given by the Chair and the Managing Director.

The Articles of Association require a minimum percentage of votes, equal to one fortieth of the voting capital, for the presentation of lists for the appointment of the Board of Directors and the Board of Statutory Auditors. A director and the Chair of the Board of Statutory Auditors will be drawn from the second list.

The Board of Directors shall make available to the Shareholders, within the terms provided for by the regulations in force, a file containing the proposals on the agenda of the Shareholders' Meeting, the related material to be discussed and the answers to the questions submitted by the Shareholders

## ***17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES***

### ***17.1 Code of Ethics***

The Board of Directors approved the code of ethics for the Group (lastly updated in February 2018), with the aim of clearly and transparently defining the set of values that the Group follows to achieve its objectives and establishing principles of conduct that are binding on Directors, employees and other parties that have relations with the Group. The text of the Code of Ethics is available on the Company website, in the "Investor-Corporate Governance" section.

### ***17.2 Non-financial reporting and ESG responsibility***

The Company has always believed that operations should aim for "sustainable success" and has incorporated the emphasis of the January 2020 Corporate Governance Code for Listed Companies into its own Corporate Governance Code.

The Sustainability Report of the Sogefi Group for 2020 has been prepared in accordance with the standards issued by the Global Reporting Initiative, commonly referred to as the "GRI Standards". The Sustainability Report is the main tool for communicating the pursuit of sustainable success and Group's performance in the economic, social and environmental areas, and for summarising its commitment to conducting its business with the aim of creating value not only for its shareholders but also for its stakeholders as a whole.

## ***18. CHANGES SINCE THE END OF THE REPORTING PERIOD***

As mentioned above, the Managing Director and General Manager in office as at 31 December 2020, Mauro Fenzi, resigned from office effective 26-28 February. In his place, the Board of Directors appointed Frédéric Sipahi as Managing Director and General Manager of the Company.

With respect to the Company's corporate governance, following approval by the Board of Directors on 29 January 2021, the Company adopted the new Corporate Governance Code of Sogefi, which can be found on the website, in the "Investor-Corporate Governance" section.

## ***19. LETTER FROM THE ITALIAN CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE***

The Company positively accepted the invitation contained in the letter from the Chairperson of the Italian Corporate Governance Committee of 22 December 2020, which was submitted to the Committees and the Board of Directors.

The Board of Directors shares the Recommendations contained in that letter and acknowledges that all the matters on which the Committee has focus the issuers' attention have been duly identified and regularly monitored within the Board of Directors and the Company's Committees, with a view to fully align the Company, where not fully accomplished, to the applicable best practices.

With specific respect to the Recommendations by the Committee the following should be noted.

Recommendation relating to the integration of the corporate sustainability within the definition of the strategies, internal control and risk management system and remuneration policy: through the Non-Financial Declaration, prepared in accordance with Legislative Decree n. 254/2016, the group provides a throughout and transparent information to the market in relation to the main sustainability objectives, indicators and initiatives by the organization, which shows the increasing sensibilization and cultural change toward a sustainable business model. Likewise, the new Corporate Governance Code of Sogefi has identified the sustainability as a guiding principle of the activity of the Board along with value creation for the shareholders in the long term. In the same direction, the scope of the activities of the Risk and Control Committee has been extended to sustainability matters. Furthermore, the Board has attributed to the Chief Executive Director and Managing Director, for 2021, the objective to identify specific strategic lines for the group (though not having yet specified quantitative criteria waiting for a more in-depth analysis on the matter).

Recommendation relating to pre-board information: the Board has identified in three days the reasonable term to receive pre-board information and such term is generally complied with, in particular with respect to the documentation that needs more time to be analysed; in that respect, the outcome of the board review process was very positive.

Recommendation relating to independence criteria: the Company, in compliance with applicable regulation, assess on a yearly basis the existence of the independency requirements in connection with the Board members and Statutory Auditors that declared to be independent. The Company publish the relevant results. Currently the Board deemed unnecessary to identify ex ante qualitative or quantitative criteria relating the assessment of commercial relationship with the independent board members due to the fact that currently there is no such commercial relationship between any of the independent Board member and the Company, its controlling company or any company controlled by any of them.

Recommendation relating to the Board review, in particular with respect to the contribution of the Board to the definition of the strategic plans and the Board review process: as already pointed out, the outcome of the Board review process was very positive; the lead independent director, with the support of the Company's internal functions, run the process and the outcome has been discussed first in the Appointment and Remunerations Committee and the in the Board. As far as the strategic plans are concerned, those are thoroughly analysed within the Board and the Board review process confirmed that the large majority of the Board members are of the opinion that the Board meetings efficaciously deal with strategic matters (with areas of possible improvement).

Recommendation relating to the appointment and succession of Board members: Sogefi S.p.A. is a "company with concentrated ownership", controlled by CIR S.p.A. and does not fall within the definition of "large companies". As such certain recommendations do not apply. That notwithstanding, the Company ensures that the activities of the Appointment and Remuneration Committee are duly described in the report on the corporate governance as well as on the report on the remuneration. As far as the executive

succession is concerned, the Board has adopted and recently updated, the procedure relating to the succession of executive Board members.

Recommendation relating to remuneration policy: the Company provides, also through the report on the remuneration, detailed information relating to the variable remuneration of the top management, with indication of short, medium and long term incentives, and share the recommendation to reinforce the link between the variable remuneration and long-term performance objectives, identifying if appropriate, within certain measures, non-financial parameters. The top management remuneration policy adopted by the Board does not contemplate the payment of amounts unrelated to predetermined criteria (without prejudice to the so called exceptional circumstances as per the applicable regulation) and in 2020 there were payments made in that respect. Likewise, the Company remuneration policy provides for specific criteria relating to severance payment indemnities. Lastly, with respect to the remuneration of its Board members and Statutory Auditors, the Company, in compliance with its remuneration policy and in accordance with the applicable procedure, determined the remuneration of the members in compliance with applicable law and taking into account the commitment required to perform the office.

**Annex A (Table 2): STRUCTURE OF THE BOARD AND THE COMMITTEES (as of the date of the present report)**

Board of Directors													Risk, control and sustainability Committee		Appointment and Remuneration Committee	
Office	Name	Year of birth	Office seniority	In office since	In office until	List	Executive	Non executive	Independ. Code of Conduct	Independent TUF	Other Positions	(**)	(**)	(***)	(**)	(***)
Chairman	MONDARDINI Monica	1960	19.04.2013	26.04.2019	31.12.2021	M	X				2	9/10				
Managing Director and General Manager (◇) (●) <sup>(1)</sup>	Frédéric SIPAHI	1981	26.02.2021	26.02.2021	23.04.2021	-	X				-	-				
Director	DE BENEDETTI Rodolfo	1961	28.04.1997	26.04.2019	31.12.2021	M		X			2	10/10				
Director	CANZIANI Patrizia	1967	27.04.2016	26.04.2019	31.12.2021	M		X	X	X	-	10/10	7/7	M		
Director	DI VIETO Roberta	1969	20.04.2010	26.04.2019	31.12.2021	M		X	X	X	3	10/10	7/7	C		
Director (○)	MELIS Mauro	1955	27.04.2016	26.04.2019	31.12.2021	M		X	X	X	2	10/10	7/7	M	3/3	C
Director	RICCOBON Ervino	1964	26.04.2019	26.04.2019	31.12.2021	m		X	X	X	-	10/10			3/3	M
Director	STREIFF Christian	1954	26.04.2019	26.04.2019	31.12.2021	M		X	X	X	-	10/10			3/3	M
DIRECTORS NO LONGER IN OFFICE																
Director <sup>(2)</sup>	FENZI Mauro	1961	09.12.2019	20.04.2020	31.12.2021	M	X				-					
<b>N. of meetings in 2020:</b>		Board of Directors: <b>10</b>				Risk, Control and Sustainability Committee: <b>7</b>				Appointment and Remuneration Committee: <b>3</b>						

**NOTES**

(◇) refers to the main responsible of the management of the Issuer (*Chief Executive Officer*).

(●) refers to the director in charge of the internal control and risk management system.

(○) refers to the *Lead Independent Director*.

(1) Co-opted by the Board on 26 February 2021 and appointed Chief Executive Officer on the same date.

(2) Co-opted by the Board on 9 December 2019 and confirmed by the Shareholders on meeting on 20 April 2020; resigned effective 26 February 2021.

In connection with the appointment of the current Board two lists were presented, one of the controlling shareholder CIR S.p.A. and one by a group of minority shareholders. Quorum required to present a list: 2.5%. In the column "List" it is indicated the list from which the directors were appointed ("M": majority list; "m": minority list).

Office seniority refers to the first date each director was appointed within the Board of the Issuer.

Other positions: indicates the number of the offices held in other companies listed in regulated markets, in financial, bank, insurance or relevant dimension companies.

The column "(\*\*)" indicates the attendance of the directors to the meetings of respectively the Board and the Committees (actual attendance vs n. of meetings).

The column (\*\*\*) indicates the position of the director within the Committee: "C: Chairman"; "M": member).

<b>TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS (as of the date of the present report)</b>									
<b>Board of Statutory Auditors</b>									
<b>Office</b>	<b>Name</b>	<b>Date of birth</b>	<b>Office seniority</b>	<b>In office since</b>	<b>In office until</b>	<b>List</b>	<b>Independency Code of Conduct</b>	<b>Attendance</b>	<b>Other positions</b>
<b>Charmain</b>	PERON Sonia	1970	23.04.2018	23.04.2018	31.12.2020	m	X	21/21	2
<b>Acting Auditor</b>	LEONI Giuseppe	1953	06.04.2006(*) 18.09.2008(**)	23.04.2018	31.12.2020	M	X	21/21	3
<b>Acting Auditor</b>	ZINGALES Riccardo	1960	11.04.2000	23.04.2018	31.12.2020	M	X	21/21	2
<b>Alternate Auditor</b>	ALLIEVI Anna Maria	1965	20.04.2015	23.04.2018	31.12.2020	M	X	--	3
<b>Alternate Auditor</b>	GIRELLI Mauro	1957	05.02.1981	23.04.2018	31.12.2020	M	X	--	1
<b>Alternate Auditor</b>	BARBIERI Davide	1984	23.04.2018	23.04.2018	31.12.2020	m	X	--	4
<b>N. of meetings in 2020: 21</b>									

## **NOTES**

During 2020 there has been no modification in the composition of the Board of Statutory Auditors appointed by the Shareholders meeting on 23 April 2018.

In connection with the appointment of the current Board of Statutory Auditors two lists were presented, one of the controlling shareholder CIR S.p.A. and one by a group of minority shareholders. Quorum required to present a list: 2.5%. In the column "List" it is indicated the list from which the directors were appointed ("M": majority list; "m": minority list).

Office seniority refers to the first date each Statutory Auditor was appointed within the Board of Statutory Auditors of the Issuer.

The column "Attendance" indicates the attendance of the Statutory Auditor to the meetings the Board of Statutory Auditors (actual attendance vs n. of meetings).

Other positions: indicates the number of the offices held in other companies listed in regulated markets, in financial, bank, insurance or relevant dimension companies.

(\*) date of appointment as Alternate Auditor.

(\*\*) On 18 September 2008, Dott. Leoni was appointed as Acting Auditor following resignation of an Acting Auditor.

## Annex B

List of offices held by Directors and Statutory Auditors of Sogefi S.p.A. as at December 31, 2020

**List of offices held by Directors of Sogefi S.p.A. in other companies listed on regulated markets, in financial, insurance, bank companies and in companies not listed but of relevant importance as at 31 December 2020.**

Mondardini Monica	Managing Director of CIR S.p.A.* Director of KOS S.p.A.* Director of Crédit Agricole S.A. Director of Hera S.p.A.
Frédéric Sipahi	- not applicable -
De Benedetti Rodolfo	Chairman of CIR S.p.A.* Director di Decalia Asset Management S.A. Vice Chairman of Decalia Asset Management SIM S.A. Director of AON Italia
Patrizia Canziani	- no office -
Roberta Di Vieto	Director of MM S.p.A. Acting Auditor of Shell Energy Italia S.r.l. Acting Auditor of Ermenegildo Zegna Holditalia S.p.A.
Mauro Melis	Managing Director of Istituto Europeo di Oncologia S.r.l. Managing Director of Centro Cardiologico Fondazione Monzino S.p.A.
Ervino Riccobon	- no office -
Christian Streiff	- no office -

\* *companies belonging to CIR group*

**List of offices of Directors and Statutory Auditors held by Acting Auditors and Alternate Auditors of Sogefi S.p.A. in other companies listed on Italian regulated markets stock exchange as at 31 December 2020.**

Sonia Peron	Alternate Auditor in doValue S.p.A. e Isagro S.p.A.
Giuseppe Leoni	Chairman of the Board of Statutory Auditors of Be Shaping the Future S.p.A. Acting Auditor of Sella Personal Credit S.p.A. and Nefis S.r.l.
Riccardo Zingales	Acting Auditor in Decalia Asset Management SIM S.p.A. Acting Auditor in Tirreno Power S.p.A.
Anna Maria Allievi	Chairman of the Board of Statutory Auditors in IGD SIIQ S.p.A., in Credem S.p.A. and in Interpump S.p.A.
Mauro Girelli	Alternate Auditor in Piaggio & C. S.p.A.
Davide Barbieri	Chairman of the Board of Statutory Auditors in Danieli & C. Officine Meccaniche S.p.A. Alternate Auditor in Aquafil S.p.A., Uni Euro S.p.A. and Servizi Italia S.p.A.