

**CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**

In accordance with Article 123-*bis* of the CFA  
(traditional administration and control model)

**ELICA S.p.A.**

<https://elica.com/corporation>

**Financial Year 2019**

Approved by the Board of Directors on March 12, 2020

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## 1. INTRODUCTION

Elica S.p.A. (also “Elica” or the “Company”) is an Italian company limited by shares with a traditional governance model. Elica S.p.A. has been listed on the MTA STAR segment of the Italian Stock Exchange since November 2006. Its governance model, approved in July 2018 by the Corporate Governance Committee (the “**Self-Governance Code**” or the “**Code**”) and with which the Company complies, is consistent with the principles of the Borsa Italiana S.p.A. Self-Governance Code promoted by Borsa Italiana.

Elica S.p.A. is defined as an SME pursuant to Article 1, paragraph 1, letter *w-quater*.1 of Legislative Decree 58/98 (“**Consolidated Finance Act**” or “**CFA**”) and Article 2-*ter* of Consob Resolution No. 11971/1999 and subsequent amendments and supplements (“**Issuers’ Regulation**”). For the capitalisation and revenue values, refer to the figures contained in the list of SMEs published by Consob on its website at the address <http://www.consob.it/web/area-pubblica/emittenti-quotati-pm>.

This report illustrates, in accordance with Article 123-*bis* of the CFA, the Corporate Governance system adopted by Elica S.p.A. in the year 2019 and updated at March 12, 2020, in line with the recommendations of the Self-Governance Code.

The disclosures relating to the remuneration of the corporate officers and senior management are contained in the Remuneration Report prepared pursuant to Article 123-*ter* of the CFA, in accordance with Attachment 3A, Schedule 7-*bis*, of the Issuers’ Regulation and published together with this Report (“Remuneration Report”).

In addition, the present report will be published on the website of the Company <https://elica.com/corporation> (Corporate Governance section).

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123 BIS, PARAGRAPH 1, CFA)

### a) Shareholders (as per Article 123-*bis*, paragraph 1, letter a), CFA)

Amount of subscribed and paid-in share capital: **Euro 12,664,560**.

Classes of shares that make up the share capital: **63,322,800** ordinary shares, with a nominal value of Euro 0.20 each (see “TABLE 1 – INFORMATION ON THE SHARE CAPITAL” – “SHARE CAPITAL STRUCTURE”).

Elica has not issued other share classes at the date of this Report, or convertible financial instruments which confer newly-issued share subscription rights.

### b) Restriction on the transfer of shares (as per Article 123-*bis*, paragraph 1, letter b), CFA)

The By-laws do not contain any restrictions on any type of share transfer.

### c) Significant holdings (as per Article 123-*bis*, paragraph 1, letter c), CFA)

Significant shareholdings in the share capital are indicated in “TABLE 1 – INFORMATION ON THE SHARE CAPITAL - “Significant Holdings in the Share Capital” based on the information available to the Company at March 12, 2020.

### d) Shares which confer special rights (as per Article 123-*bis*, paragraph 1, letter d), CFA)

The Company has not issued shares which confer special controlling rights.

No special powers exist and the by-laws does not provide for shares with the right to more than one vote.

**e) Employee shareholding: voting mechanism (as per Article 123-bis, paragraph 1, letter e), CFA)**

Not applicable.

**f) Voting restrictions (as per Article 123-bis, paragraph 1, letter f), CFA)**

The By-laws do not contain any restrictions on voting rights.

**g) Shareholder agreements (as per Article 123-bis, paragraph 1, letter g), CFA)**

In accordance with Article 122 of the CFA and Article 129 of the Issuers' Regulation, on July 24, 2019, FAN S.r.l., with registered office in Rome, via Parigi No. 11 and TAMBURI INVESTMENT PARTNERS S.p.A., with registered office in Milan, via Pontaccio No. 10, signed an agreement concerning 42,674,146 ordinary Elica S.p.A. shares, with voting rights, representing 67,391% of the share capital, broken down as follows:

- a) FAN: 33,440,445 shares with voting rights, representing 52.809% of the entire share capital of Elica and also the total amount of outstanding shares;
- b) TIP: 9,233,701 shares with voting rights, representing 14.582%<sup>1</sup> of the entire share capital of Elica and also the total amount of outstanding shares.

The provisions of the Agreement shall apply to the shares referred to in points (a) and (b).

The Agreement also contains some provisions relating to the governance of Elica S.p.A. (the "Shareholders' Agreements"), such as the right to the appointment, for the entire duration of the Agreement, of a member of the Board of Directors of Elica.

The Agreement, which entered into force on July 26, 2019, extends until its third (third) anniversary, without prejudice to the additional provisions relating to renewal and withdrawal contained in the Agreement.

The key information regarding the Shareholder Agreements was published as per Article 130 of the Issuers' Regulation on Elica S.p.A.'s website, <https://elica.com/corporation/it/corporategovernance/altri-documenti> and on the website of the authorised storage mechanism "1INFO" at [www.1info.it](http://www.1info.it).

This did not impact control over Elica which, as per Article 93 of the CFA, is held by Mr. Francesco Casoli.

**h) Change of control clause (as per Article 123-bis, paragraph 1, letter h), CFA) and statutory provisions concerning Public Purchase Offers (Article 104, paragraph 1-ter and 104-bis, paragraph 1)**

Agreements are in place of a commercial and financial nature and/or concerning investments of the Company in its subsidiaries, of a confidential nature, which provide, among other matters, for the right to withdrawal or to purchase/sell shares of the subsidiaries to the other contracting party, in the case of change of control of the Company. The resolution of an individual agreement would not significantly impact the Company.

The Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 1 bis of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

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<sup>1</sup> After signing the Shareholders' Agreement, TIP's holding increased, see TABLE 1 - INFORMATION ON THE SOCIAL CAPITAL.

**i) Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123-bis, paragraph 1, letter m), CFA)**

At the date of the Present Report, the Board had not been granted powers to increase the share capital under Article 2443 of the Civil Code.

The Company, in accordance with Article 8.4 of the By-Laws, may issue non-convertible and convertible bond loans or with warrants, in accordance with Articles 2410 subsequent of the Civil Code.

The Board of Directors may also issue non-convertible bonds within the limits set out in Article 2412 of the Civil Code and convertible within the limits set by Article 2420-ter of the Civil Code.

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With reference to the purchase of treasury shares, the Shareholders' Meeting of April 18, 2019 of Elica approved, in accordance with article 2357 and 2357-ter of the Civil Code, the procedures and delegated powers to the Board of Directors of the Company to purchase (for a period of 18 months) and utilise (without time limits) ordinary shares of the Company, establishing the manner of completion and delegating to the Board of Directors the power to take any necessary actions in order to give effect to resolutions in accordance with applicable laws.

On July 24, 2019 the Company sold 1,275,498 treasury shares, or 2.014%, to TIP - Tamburi Investment Partners S.p.A., listed on the STAR segment of the Italian Stock Exchange, at an agreed price of Euro 2 per share. These treasury shares were sold on the basis of the authorisation granted by the Shareholders' Meeting on April 18, 2019 for a period of 18 (eighteen) months. At March 12, 2020, the Company did not hold treasury shares.

The Shareholders' Meeting called for the approval of the 2019 Annual Accounts will, among other things, be requested to renew the approval for the purchase and utilisation of treasury shares. Acceptance of the proposal would result in therefore, among other issues, the withdrawal of the previous authorisation granted on April 18, 2019.<sup>2</sup>

**l) Direction and co-ordination activities (as per Article 2497 of the Civil Code)**

The company is not subject to management and co-ordination pursuant to Art. 2497 and subsequent of the Civil Code. This conclusion derives from the fact that the controlling shareholder does not carry out management activities within the company and, although exercising voting rights at the shareholders' meeting, does not have any involvement in the financial, production or strategic programmed of the company, which is governed by a Board of Directors responsible for operating control.

The Parent's Board of Directors has also appointed an independent CEO for ordinary operational management.

With effect from July 2019, Tamburi Investments Partners ("TIP") acquired a minority interest in the Company. As at December 31, 2019, this interest amounted to 20.150%.

The Company however continues to carry out its operations through a totally autonomous and independent decision-making process; it has independent decision-making capacity with clients and suppliers and independently manages its treasury in accordance with the business purpose.

The disclosure required by Article 123-bis, paragraph 1, letter i) of the CFA are contained in Section 1 of the Remuneration Report, while the disclosure required by Article 123-bis, paragraph 1, letter l) are illustrated in the subsequent section "4.1 Appointment and replacement (as per Article 123-bis, paragraph 1, letter l), CFA)" below of the present Report.

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<sup>2</sup> For further information, reference should be made to the Report of the Board of Directors' of Elica S.p.A. relating to the proposal to authorise and utilise Treasury Shares of March 12, 2020, available on the Company website.

### **3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)**

The company complies with the Self-Governance Code issued by Borsa Italiana S.p.A. and approved by the “Corporate Governance Committee” (July 2018 Edition).

Where the recommendations of the Code are not applied, the reasons for such are provided in the present report.

The Self-Governance Code is available on the website of Borsa Italiana S.p.A.: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

The Company, and its subsidiaries, are not subject to laws in force outside Italy which affect the Corporate Governance structure of Elica.

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

#### **4.1 Appointment and replacement (as per Article 123-bis, paragraph 1, letter I), CFA)**

The appointment and replacement of directors is governed by Article 16 of the By-Laws, which provides for slate voting. This mechanism was latterly adopted on the renewal of the Board of Directors by the Shareholders’ Meeting of April 27, 2018.

For further information on the manner of appointment of the Directors, reference is made to the subsequent Section “Method for electing the Corporate Boards”.

All amendments to the By-Laws are made based on the provisions of law and the By-Laws themselves. In accordance with Article 19.2 of the By-Law, which adheres to Article 2365 of the civil code, adjustments to the By-Laws in accordance with law are reserved to the Board of Directors.

The Company has acknowledged Law No. 160 of December 27, 2019 (the “2020 Budget Act”), which entails amendments to Articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis of Legislative Decree No. 58/98 on gender balance within company bodies and requires that the Company’s Board of Directors amend its By-laws accordingly before new company bodies take office. This process is planned to be completed at the shareholders’ meeting for the approval of the financial statements at and for the year ending December 31, 2020.

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#### **Succession plans**

On February 12, 2016, in compliance with Article 5.C.2. of the Code, the Board of Directors of Elica approved an executive director succession plan, which includes the provisions outlined in the Code.

The Board of Directors considers the succession plan as an instrument to ensure the consistent management of risk, business continuity and the long-term sustainability of the company, through governing the renewal and replacement of executive directors in the case of their unforeseeable discontinuation of service, with the most appropriate replacements.

The Succession Plan adopted by the Company includes specific mechanisms in the case of advance replacement, ahead of the natural conclusion of office, of executive directors. To this end, the Appointments and Remuneration Committee, in addition to expressing recommendations with regard to individuals whose presence on the Board is considered appropriate, ensures the existence of a list of possible replacements for executive directors in office in the case of advance conclusion of mandate.

Specifically, the Board of Directors: (i) may approve the succession plan and monitor its efficacy, evaluating at least annually whether to implement updates, taking into consideration the report of the Appointments and Remuneration Committee; (ii) provides operational indications and guidelines; (iii) delegates the preparatory phase and the proposal of updates or amendments to the succession plan to the Appointments and Remuneration Committee; and (iv) reports on the state of the succession plan in the annual corporate governance and ownership structure report.

The Appointments and Remuneration Committee: (i) expresses recommendations with regard to individuals, including with regard to the renewal of executive positions, whose presence on the Board is considered appropriate, including the duty to ensure over time a list of possible replacements for the Chief Executive Officers in office, in view of possible discontinuation of mandate; (ii) manages the preparatory phase, in close collaboration with the competent company department for the management of human resources and draws up updates and amendment proposals for the succession plan to the Board; (iii) draws up promptly a recommendation, to be sent to the Chairman or, in his/her absence, to the CEO, with regard to the resolutions to be adopted at the Board meeting, in the case of the advance replacement of an executive director; and (iv) reports annually to the board upon the operations carried out with regard to the succession of executive directors and expresses an assessment of the coverage level of the relative risk.

The executive directors are involved in the implementation of the process.

The corporate structure supports the Appointments and Remuneration Committee and the other parties involved in the implementation of the plan.

In 2019, the Committee continued its investigative activities to identify potential candidates for the role of executive director, taking account of the objectives of the company over the medium/long-term and the attributes of the candidates as emerging in the course of the evaluation of the optimal composition of the Board and from its annual self-assessment.

In accordance with the provisions of the Succession Plan, at the Committee meeting held on July 8, 2019 Mauro Sacchetto was identified as the ideal candidate for replacing Antonio Recinella as Chief Executive Officer by co-option. In addition, in accordance with the succession tables adopted by the Company, the Committee also expressed a favourable opinion of the replacement of Chief Financial Officer and Corporate Financial Reporting Manager Alessandro Carloni by Giulio Cocci, who remains in office.

Lastly, on March 5, 2020, the Committee expressed a favourable opinion regarding the reduction in the number of members of the Board of Directors from eight to seven, following the resignation of the independent Director Davide Croff, considering the current composition of the Board to be adequate and consistent with the diversity policy adopted.<sup>3</sup>

#### **4.2 Composition of the Board of Directors (as per Article 123-bis, paragraph 2, letter d) and d) bis CFA)**

The Board of Directors of the Company, in accordance with Article 2 of the Self-Governance Code, is comprised of executive and non-executive directors with sufficient skills and levels of professionalism. As per article 16 of the By-laws, the Company is administered by a Board of Directors made up of between 5 and 11 members, including non-shareholders. On April 27, 2018, the Shareholders' Meeting of the Company conferred administration to a Board of Directors comprising of eight members, establishing the conclusion of mandate as the approval of the 2020 Annual Accounts.<sup>4</sup>

The Shareholders' Meeting of April 27, 2018 was presented with a single slate for the appointment of the directors. This slate was presented by the majority shareholder FAN S.r.l. and proposes as Directors Messrs:

Francesco Casoli, Antonio Recinella, Elio Cosimo Catania, Davide Croff, Gennaro Pieralisi, Barbara Poggiali, Cristina Finocchi Mahne and Federica De Medici.

The result of the voting of Shareholders present at the Shareholders' Meeting was as follows:

- votes in favour of Slate 1 – 37,841,114, equal to 99.995% of votes;
- votes against Slate 1 - 1,823, equal to 0.004 of votes.

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<sup>3</sup> For further information, reference should be made to the Report of the Board of Directors' of Elica S.p.A. concerning the establishment of the number of members of the Board of Directors of March 12, 2020, available on the Company website.

<sup>4</sup> On March 12, 2020, the Board proposed reducing the number of its members from eight to seven.

The candidates listed above were therefore elected and the composition of Elica's Board of Directors shown below remained unchanged until July 8, 2019: Francesco Casoli (Chairman), Antonio Recinella (Chief Executive Officer), Gennaro Pieralisi (Non-Executive Director), Davide Croff (Independent Director), Elio Cosimo Catania (Independent Director), Cristina Finocchi Mahne (Independent Director), Barbara Poggiali (Independent Director) and Federica De Medici (Independent Director).

By motion of the Board of Directors of July 8, 2019, Mauro Sacchetto was appointed the new Chief Executive Officer, replacing Antonio Recinella with immediate effect. The appointment, in accordance with the succession plan adopted by the company, concludes a selection process and is based on the proposal of the Appointments and Remuneration Committee, reflecting its opinion and follows approval by the Board of Statutory Auditors; Mauro Sacchetto shall remain in office until the next Shareholders' Meeting of the company.

On September 26, 2019, the Board of Directors co-opted Giovanni Tamburi as a Non-Executive Director. This appointment followed the resignation, for personal reasons, of the Non-Executive Director Gennaro Pieralisi. The co-option took place alongside the transaction, announced on July 24, 2019, through which Tamburi Investment Partners S.p.A. (of which Giovanni Tamburi is Chairman and Chief Executive Officer) acquired a minority holding in Elica S.p.A. with the purchase of the shares held by Whirlpool EMEA S.r.l. and the treasury shares of the company. Giovanni Tamburi shall remain in office until the next Shareholders' Meeting of Elica;

By Board of Directors' motion dated February 13, 2020, the Board took note of the resignation of Mr. Davide Croff on February 11 with immediate effect, due to "personal reasons that made it impossible to continue to carry out the activities associated with the office of director with the necessary diligence."

On March 12, 2020, the Board of Directors, on the proposal of the Appointments and Remuneration Committee, having re-assessed the adequacy of its composition in terms of the number of members, and considering that the reduction from eight to seven members would not compromise the proper functioning and effectiveness of the Board's activities, resolved to propose to the Shareholders' Meeting, scheduled for April 28, 2020, to establish the number of members of the Board of Directors as seven.<sup>5</sup>

Finally, on March 12, 2020, the Board of Directors assessed the Directors' compliance with the independence requirements; as a result of the assessment, the Directors were found to be independent in accordance with the CFA and the Self-Governance Code: Elio Cosimo Catania, Federica De Medici, Barbara Poggiali and Cristina Finocchi Mahne. Therefore, there are currently four independent directors out of a total of seven. This number is considered more than sufficient to undertake the functions of the independent directors.

For further information on the composition of the Board of Directors of the Company at the preparation date of the present report, reference should be made to "TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES".

Brief *curriculum vitae* of the directors in office at March 12, 2020 are presented below.<sup>6</sup>

**Francesco Casoli:** Chairman of the Board of Directors of the Company from April 12, 2006; previously he was the Chief Executive Officer. He is the son of Ermanno Casoli, founder of Elica S.p.A., in which he has worked since 1978; in 1990, at just 29 years of age, he was appointed Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of FAN S.r.l., the Sole Director of Fintrack S.p.A. and Vice Chairman and Director of the Ermanno Casoli Foundation. He is also Sole Director of Ermanno S.r.l. and of Garage S.r.l., Director of Fastnet S.p.A., Sole Director of SAFE S.r.l. and Chairman of the Board of Directors of La Ceramica. He is a member of the Board of Directors of Polo del Gusto - Illy Group. From June 2005 to March 2006, he was the Chairman of Assindustria in the Province of Ancona. At the elections of April 9 and 10, 2006, he was elected to the Senate of the Italian Republic and re-elected in the elections of 2008, leaving the house in March 2013. In 2017, he was knighted "Cavaliere del Lavoro" by the President of the Italian Republic. Between August 2013 and March 2015, he was a Director of the Finish company Efore PLC, listed on the Nasdaq Omx Helsinki OY (small cap segment). Since May 2019 he has been President of AIDAF (Italian Association of Family Businesses).

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<sup>5</sup> For further information, reference should be made to the Report of the Board of Directors' of Elica S.p.A. concerning the establishment of the number of members of the Board of Directors of March 12, 2020, available on the Company website.

<sup>6</sup> Indication of involvement of directors in other companies listed on regulated markets (also foreign), in finance, banking, insurance or large enterprises, is reported in the following paragraph: "Maximum number of offices held in other companies"

Efore PLC, listed on the Nasdaq Omx Helsinki OY (small cap segment). Since May 2019 he has been President of AIDAF (Italian Association of Family Businesses).

**Mauro Sacchetto:** He has been the Chief Executive Officer (C.E.O.) of Elica S.p.A. since July 8, 2019. He has gained extensive international experience in the US, Europe and Asia at leading multinational enterprises in sectors such as the Motors industry, Telecommunications, Electronics and Microelectronics and ICT. During the course of his career, he has held the position of Group CEO at Marelli Motori S.p.A., Group CEO at Datalogic S.p.A., CEO at Bull Honeywell Compuprint, COO at Pirelli OTI; President & Chairman at Atena; CEO at Pirelli Submarine System and Pirelli Broadband Solutions, in addition to Chairman of the Control Committee at Saipem. A Physics graduate, he has a Master. in Business Administration from Stanford (USA).

**Giovanni Tamburi:** He has been a member of the Board of Directors of Elica S.p.A. since September 26, 2019. Founder, Chairman and CEO of T.I.P. - Tamburi Investment Partners S.p.A., a group that invests in companies displaying excellence and with a particular focus on the manufacturing, fashion, luxury, design and services sectors. He is also a member of the Board of Directors of: Alpitour S.p.A., Azimut Benetti S.p.A., Amplifon S.p.A., Beta Utensili S.p.A., Eataly Distribuzione S.r.l., Furla S.p.A., Interpump Group S.p.A. and OVS S.p.A. and is a member Supervisory Board of the Roche Bobois Group. A graduate in Economics and Commerce from the University La Sapienza of Rome, he is the author and co-author of numerous publications on finance for business and a contract professor at the LIUC and LUISS for approx. 10 years. Member of government and local commissions on privatisation issues.

**Elio Cosimo Catania:** He has been a member of the Board of Directors of Elica S.p.A. since April 2015. Vice Chairman of Cnel. Chairman of Quid Informatica. Chairman of the "Digital Growth Group" of Confindustria and Director of Assonime; Member of the Executive Committee of the Board for relations between Italy and the United States; he graduated in Electrotechnical Engineering and thereafter obtained a Masters in Management Science at the Sloan Fellow School of MIT in Boston. Between 1970 and 2004 held a number of prestigious appointments at IBM, including Chairman and CEO of IBM Latin America, Chairman and CEO for Southern Europe, Middle East and Africa, Chairman and CEO of IBM Italia; between 2004 and 2006 Chairman and Chief Executive Officer of Ferrovie dello Stato and, between 2007 and 2011, Chairman and Chief Executive Officer of A.T.M. S.p.A.. Was Deputy Vice Chairman of Alitalia (2012-2014) and in addition has held numerous senior roles, including Director of Telecom Italia, Banca Intesa San Paolo, BNL and Luiss University. In 1999 he received the Cavaliere del Lavoro knighthood of the Italian Republic.

**Barbara Poggiali:** She has been a member of the Board of Directors of Elica S.p.A. since April 2018. She was appointed Managing Director of the Cybersecurity Division of Leonardo S.p.A. in January 2019; she is also an independent director at various listed companies: Falck Renewables S.p.A. (since 2012), ASTM Autostrade Torino-Milano (since 2013), and of Banca Farmafactoring since 2018; she is also a director of Bocconi University. She was appointed Managing Director of the Cybersecurity Division of Leonardo S.p.A. in January 2019. She graduated with a Bachelor in Engineering degree at the Massachusetts Institute of Technology (MIT), Cambridge, Massachusetts, USA. in 1984, a Master's degree in 1985 and a Doctorate in 1987. She started her professional career with McKinsey&Co., and later with Bain. From 1995 to 2000, she worked in Omnitel (now Vodafone Italy), first as Strategies Director and then as Marketing and Consumer Sales Director. She moved on to E. Biscom S.p.A. (now Fastweb) in the capacity of Chief Operating Officer up to 2002 and then to Cable and Wireless Plc. in London as Group Director Mobile. From 2004 to 2011, she worked in RCS MediaGroup as Chief Development Officer and, eventually, from 2009 to 2011, served as the Chief Executive Officer and General Manager of Dada S.p.A., a company listed on the STAR segment. From 2014 to 2017, she held office as Director Strategic Marketing of Poste Italiane S.p.A., and as Chairman of PosteMobile.

**Cristina Finocchi Mahne:** She has been a member of the Board of Directors of Elica S.p.A. since April 2018. She is also a business economist, corporate governance expert and former blue-chip executive at companies with a market capitalisation of up to Euro 10 billion. A member of the boards of directors of Italian and international listed companies since 2010, she sits on internal board committees (Appointments and Remuneration and Control, Risks and Sustainability) as chairperson and member. She currently sits on the boards of companies included in the STAR and FTSE Italia indices (in the sectors agroindustrial, consumer discretionary, banking and industrial). She has been focused on ESG (environmental, social and governance) sustainability issues since 1999. She has more than twenty years' experience in positions of responsibility at Italian and international financial institutions and strategic consultancy firms. She chairs the Advisory Committee of the real estate fund UrbeRetail, managed by Generali Real Estate SGR, and since 2012 she has been co-chairperson for Italy of the WCD Foundation, a global think tank that promotes corporate governance best practices on boards, reserved for directors of listed companies. A graduate in Economy and Commerce from the La Sapienza University of Rome, she holds a Master in Business Administration (MBA) degree from the Luiss Business School. She attained additional specialisations in finance, financial communication and management skills in London and Los Angeles. Since 2012 she has been a contracted lecturer in the Economics and Finance departments and business schools of prestigious Italian universities: since 2019 she has been an Adjunct Professor (Sustainability Strategies and Non-Financial Reporting) in the Faculty of Banking, Financial and Insurance Sciences, Università Cattolica del Sacro Cuore; previously she was professor of Advanced Business Administration in the English-language master's degree program in the Faculty of Economics of Università di Roma La Sapienza and lecturer in Corporate Governance teaching in the MBA program, at Luiss Business School. She is regularly invited to national and international conferences to speak on economic, financial and corporate governance topics. She is the author of published articles on principal economic newspapers.

**Federica De Medici:** She has been a member of the Board of Directors of Elica S.p.A. since April 2018. Investor Relations Director of Wind Tre S.p.A. from October 2016 to-date, with the remit of managing relations with investors, financial markets and rating agencies. The areas of Business Intelligence and Market Research were also entrusted to her in January 2019. She held office as Group Investor Relations Director at RCS MediaGroup S.p.A. from March 2013 to October 2016. From December 2003 to October 2012, she joined RCS MediaGroup S.p.A. as Head of the Investor Relations Department and then held office as Digital Strategy and Intelligence Director up to March 2013. In 1997, she joined KPMG S.p.A. as Senior Consultant and subsequently, from 2000 to 2003, she held the Advisory in Investor Relations position at Barabino & Partners. In 1995, she participated in a Management Control internship at Mediaset S.p.A. and, newly graduated in 1996, she worked at the Lucchini Group in the role of Relations with UK clients. Federica De Medici graduated in 1996 in Economics and Commerce with a focus on Business Economics at the University of Pavia, with an experimental thesis on the “Mediaset Private Television Group”.

### **Diversity criteria and policies**

In accordance with Legislative Decree 254/2016 concerning the communication of non-financial disclosure, the company has adopted a “Diversity Policy” setting out the diversity criteria generally adopted by Elica with regards to the composition of the Corporate Boards, including: age, gender, training and professional development. The criteria set out in the policy take account of the provisions of the Self-Governance Code of Borsa Italiana S.p.A., with which the company complies and are utilised by the Board of Directors for the replacement of its members and the renewal of the Corporate Boards.

In implementing this policy, approved by the Board on November 13, 2017, on the proposal of the Appointments and Remuneration Committee, the company seeks to ensure, on the appointment and replacement of directors, the emergence of as diverse a range of candidates as possible in view of company requirements, establishing the conditions for “Group think” (i.e. a tendency towards a form of unified “Group think”), supporting therefore debate and potentially improving the quality of Board decision-making.

The Appointments and Remuneration Committee, in drawing up its opinions for the Board of Directors with regards to the size and composition of the Board and in expressing recommendations with regards to the professional roles whose presence on the Board are considered beneficial (in compliance with and in implementation of the “Executive director succession plan”, where applicable), takes into consideration the “Diversity Policy” and at least adopts the criteria indicated therein. The Board, having assessed the proposals of the Appointments and Remuneration Committee, taking account of the “Executive director succession plan”, where applicable, the “Diversity Policy” and the results of the Annual Board Evaluation, proposes candidate profiles considered most suitable for the Board.

During the renewal of the Board on April 27, 2018, the majority shareholder FAN S.r.l. took account of the diversity criteria issued by the Board in so far as it included candidates of the under-represented gender on a three to eight ratio; it included different profiles by professional experience, age and years in office, taking account of the company’s requirements and medium-long term objectives in accordance with the priority objective of ensuring sufficient skills and professionalism in the members of the Board of Directors.

When the new Chief Executive Officer Mauro Sacchetto was appointed on July 8, 2019, the Chairman of the Appointments and Remuneration Committee noted that the newly elected CEO’s candidacy had been consistent with the Diversity Policy adopted by the Board.

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The main goals of the Group Policy adopted by the Company to safeguard diversity are equal opportunities and leveraging differences. This policy envisages safeguards in the area of selection, training, remuneration, rewards and career prospects; it also provides for reporting channels in the event of violations and sanctions for transgressors.

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

In accordance with Article 1.C.2. of the Self-Governance Code, the Board of Directors, based on the information received from the directors, state that some of its members currently hold the office of director or statutory auditor in listed companies in regulated markets including abroad, specifically:

- Barbara Poggiali is currently independent director of several listed companies and specifically of: Falck Renewables S.p.A., ASTM Autostrade Torino-Milano and Banca Farmafactoring;
- Cristina Finocchi Mahne is currently independent director of several listed companies and specifically of: Banco Desio Group, Trevi Group, BF-holding Bonifiche Ferraresi.
- Giovanni Tamburi is Chairman and Chief Executive Officer of Tamburi Investment Partners S.p.A., Amplifon S.p.A., Interpump Group S.p.A. and Ovs S.p.A., while also a member Supervisory Board of the Roche Bobois Group.

In accordance with Article 1.C.3. of the Self-Governance Code, the Board of Directors, most recent occasion being the meeting of October 31, 2019, confirmed its position in relation to the maximum number of offices of director or statutory auditor which may be considered compatible with the proper fulfilment of the role of director of the Company, fixing at five the maximum number of offices of administration and control in other listed companies (including abroad).

The Board did not consider it necessary to define general criteria regarding the maximum number of appointments in other companies that can be considered compatible with an effective conduct of the role of director of the company, considering that this evaluation is primarily that of the Shareholders in nominating the directors and, subsequently, of the individual directors on accepting the office. The Board will however continue to evaluate individual cases, in relation to the attributes of each director (experience, positions held etc.) from which compatibility with the role can be evaluated. This evaluation will be made on the appointment to office and thereafter on an annual basis, principally utilising the following evaluation criteria: (i) the role of the Director within the Company (executive, non-executive, independent, member of one or more committees); (ii) the nature and size of entities in which offices are held and the office of the Director within such entities; and (iii) whether such entities are part of the group of the Issuer.

With regard to companies of a significant size, we also report that:<sup>7</sup>

- Elio Cosimo Catania is Chairman of the financial company Quid Informatica S.p.A.
- Barbara Poggiali is a Director of the financial company Fabrick S.p.A.
- the Chairman of the Board of Directors Francesco Casoli fulfils, among others, the role of Sole Director with the finance company Fintrack S.p.A., of which he is also a shareholder. He is also Chairman of the Board of Directors and Chief Executive Officer of FAN S.r.l., which directly controls Elica S.p.A.. Finally, he is director of the holding company Polo del Gusto-Illy Group.<sup>8</sup>
- Giovanni Tamburi holds positions in the following companies of significant size: Asset Italia S.p.A., Clubitaly S.p.A., Clubtre S.p.A., Gruppo IPG Holding S.p.A., TIP-Pre IPO S.p.A., Alpitour S.p.A., Azimur Benetti S.p.A., Beta Utensili S.p.A., Eataly S.p.A., Fimag S.p.A. Furla S.p.A., Neos S.p.A..

## Induction Programme

The Induction Programme is an important opportunity for the Company's Directors to expand upon or improve their knowledge and professional skills. In order to further explore the various issues that may affect the Company, informal meetings of various kinds are organised during the year.

Participation by the Leadership Team in Board meetings is also a part of the Induction Programme. As well as the Secretary to the Board, the Chief Financial Officer usually attends the Board meetings, who provides greater details on the financial implications of the matters on the agenda. On the occasion of specific resolutions, senior managers responsible for the specific functions or managers in charge of specific activities and/or consultants directly involved are invited to express and provide opinions on the matters on the Agenda. For example purposes only, on motions concerning the remuneration of the Chief Executive Officers, the VP Corporate & Strategy attended the meetings, while the Credit Manager outlined the credit position to the Control, Risks and Sustainability Committee; the Group Chief Marketing Officer

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<sup>7</sup> For the purposes of identifying large size companies, the following parameters were taken as reference: over 250 employees or revenues > Euro 50 million in the year or assets > Euro 43 million in the year.

<sup>8</sup> The financial companies listed are holding companies and are not considered in the lists as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

and the VP Go To Market attended the Board of Directors meetings for the presentation of specific items of business.

During the year, the Company also promotes other opportunities for meetings between Directors and management, such as: visits to production facilities (which provide an opportunity to bring Directors into closer contact with the Company), and events organised by the Company to which Directors are invited (providing an opportunity to learn more about management and deepen their knowledge of the business).

#### **4.3 Role of the Board of Directors<sup>9</sup>**

The Company is managed, under a traditional governance system, by a Board of Directors, which meets and operates in compliance with articles 1.P.1. and 1.P.2. of the Self-Governance Code.

In accordance with article 17 of the By-laws of the Company, except for the powers of convocation reserved to the Statutory Auditors in the cases established by law, the Board of Directors meets on the convocation of the Chairman, or in the case of his absence or impediment, of the Vice Chairman or the Chief Executive Officers, if appointed, in order of seniority of age, or in the absence or impediment also of these, the most senior Director in terms of age, through registered letter, telefax or electronic mail, to be sent at least 5 days before the date of the meeting.

The company usually agrees, where possible, with the directors the dates of the board meetings and also the matters on the agenda: during the meeting of the Board of Directors held on October 31, 2019 the Calendar of meetings of the Board of Directors and Committees for 2020 was also approved, taking account of the deadlines imposed by law for the approval of the figures for the period and any already planned events.

In 2019 the Board of Directors also formulated and approved Regulations for setting the calendar of annual meetings, information for the board of directors and minute-taking for meetings. Important documents and information necessary to allow the Board to express itself in a fully informed manner on the matters submitted for their review and approval concerning the matters on the Agenda are made available to the directors in accordance with the Regulations adopted, reasonably in advance of the meeting date.

The forwarding of the documentation together with the call notice of the Board, which is normally five days before the meeting, is considered sufficient to permit a review of the same by the directors. Exceptions to this deadline are possible in urgent or exceptional cases, due to confidentiality needs, or when the nature of the decisions to be taken means that it is appropriate to present the documentation directly in the course of the meeting. The Chairman of the Board of Directors is responsible for assessing on a case-by-case basis whether to postpone making the documentation available.

In agreement with the directors, the period of five days is however anticipated in the case of particularly large or complex documentation, and whereby the key elements are illustrated in summary documents - although such should not be considered as a replacement for the complete documentation - which permit the directors to promptly understand the important matters to be dealt with during the meeting. Such presentation documentation remains available, together with official documentation, on a shared IT portal.

During 2019, the above-mentioned period of five days was generally complied with and in any event the Board was informed, as far as possible, with sufficient notice in order to undertake a complete and correct valuation of the matters under examination, exploring all matters subject to the Board of Directors' motions.

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<sup>9</sup> The number of meetings of the Board held in 2019, the average duration, the number of meetings scheduled for the current year, as well as the percentage attendance at the Board of Directors' meetings and of the Committees are indicated in the Section: "Activities of the Board of Directors and of the Committees in 2019 and 2020 up to the date of the present Report".

The meetings of the Board of Directors are held at least quarterly and every time the Chairman considers it necessary or when a request as outlined above is made. On the outcome of the Board's self-assessment, the Directors positively assessed increasing the number and duration of meetings, non-board meetings or conferences to facilitate everybody's participation on business matters.

In accordance with Article 19 of the By-Laws, the Board of Directors are attributed the widest powers for the management of the Company and the faculty to carry out all acts and operations considered necessary for the reaching of the corporate objectives, except in the case of those attributed by law to the Shareholders' Meeting or deriving from specific authorisations required by the By-Laws.

The Board of Directors also has the following duties:

- a) merger and spin-off resolutions in the cases established by articles 2505 and 2505-*bis*, of the Civil Code;
- b) the opening, transfer and closing of secondary offices;
- c) the indication of which Directors may represent the company;
- d) the issue of non-convertible bonds within the limits set out in article 2412 of the Civil Code and convertible within the limits set by article 2420-*ter* of the Civil Code;
- e) the reduction of the share capital in the case of return of shares by shareholders;
- f) updating the company by-laws and the shareholder meeting regulation in accordance with law;
- g) the transfer of the registered office to another municipality in the national territory;
- h) the reduction of the share capital where losses are greater than one-third of the share capital and the Company has issued shares without nominal value.

Based on the powers conferred, the Board of Directors:

- examine and approve the strategic, industrial and financial plans of the Company and of the Group, periodically monitoring their implementation; establish the corporate governance of the Company and the structure of the Group.
- define the nature and level of risk compatible with the strategic objectives of the company, including in their assessments all risks considered significant with regard to the sustainability of the medium/long-term operations;
- evaluate the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries having strategic importance<sup>10</sup>, which has been implemented by the executive directors with particular reference to the internal control and risk management system. In particular, the evaluation of the adequacy of the organisational, administrative and accounting structure of the Company and of the subsidiaries, in addition to the adequacy of the Internal Control and Risk Management System in terms of the Company's needs, was carried out by the Board at the meetings of March 7 and July 30, 2019 and latterly on March 12, 2020. In the circumstances, the Board, also on the basis of information received from the Director in charge of the Internal Control System, from the assessments carried out by the Control, Risks and Sustainability Committee, the information provided by the competent corporate departments, in addition to the audit results, the activities and the assessments carried out by Protiviti and Internal Audit, utilising the "Maturity Model for Internal Control" assessment system proposed by the "COBIT" framework of ISACA, assessed the overall level of maturity of the Internal Control System ("Defined Process"), as risk awareness is accompanied by documented and communicated activities and processes;

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<sup>10</sup> The Board of Directors of Elica, considering the size of the group which the Company heads, usually extends this assessment to all subsidiaries; on the approval of the 2020 audit plan, the Board established that, for the plan, in order to identify the scope of the Internal Audit activities, the criteria outlined in Article 151 of the Issuers' Regulation should therefore be used to identify the subsidiaries of Elica with strategic importance.

- evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets. In particular, the Board evaluates the general operational performance, on the occasion of the approval of the quarterly and half-yearly reports;
- considers operations of the Company and its subsidiaries, when such operations have a significant strategic, economic, equity or financial importance for the Company or when the Executive Directors consider the involvement of the Board appropriate, although not relating to significant operations. The Board motions of the Issuer concerning subsidiary operations are justified also by the need to expressly authorise significant operations or certain decisions which need to be approved, according to regulations or the by-laws, by the shareholders of such companies.
- following the entry into force of Consob Regulation No. 17221/10, the Board identified specific criteria for the identification of significant transactions, in accordance with the provisions of attachment 3 of the regulation.<sup>11</sup>In addition, the Board undertakes all decisions not specifically attributed to the Executive Directors.<sup>12</sup> The decisions, which due to their subject or amount are not within the remit of the executive directors, are those which, indirectly, the Board has considered of particular strategic, economic, equity or financial significance.
- carry out, at least once a year, an evaluation on the functioning of the Board and of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of service, also in relation to the diversity criteria as per Article 2 of the Code. At the meeting of the Board of Directors held on February 13, 2020, Elica's Board of Directors carried out its own self-assessment referring to financial year 2019, with external support from GC Governance Consulting, a firm specializing in corporate governance.

The board evaluation was carried out with the supervision of the Appointments and Remuneration Committee and of its Chairman on the Committee's behalf, in accordance with paragraph 1.C.1. of the Self-Governance Code.

The board evaluation activity was performed through:

- interviews with Directors supported by the compilation of a questionnaire divided into seven survey areas:

- a) Implementation of the recommendations resulting from the previous board evaluation
- b) Elements of discontinuity identified in 2019
- c) Composition of the Board of Directors
- d) Role of the Board of Directors
- e) Functioning of the Board of Directors.
- f) Role and functioning of internal board committees
- g) Directors' expectations

- discussions with the departments that are most involved in Board of Directors' activities (HR, CFO and Legal)

The overall analysis of the answers to the self-assessment questionnaire, corroborated by interviews, yields a general picture of an adequately composed Board of Directors that is professional in its performance of role as guidance and oversight body and open to dialogue.

In particular the following aspects emerge:

- the Board is adequate in size and composition to balance executive and non-executive directors and for diversity;

- the members of the Board of Directors possess high-calibre professional management, financial and relationship skills;

- Board discussions are characterised by an environment of open, constructive dialogue;

- more than adequate composition, role and functioning of Board committees.

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<sup>11</sup> Reference should be made in this regard to the procedure for transactions with related parties adopted by the Board of Directors on November 11, 2010, in accordance with Article 2391-bis of the Civil Code and Article 4 of the Consob Regulation concerning related parties, approved with resolution No. 17221 of March 12, 2010, as subsequently amended ("Transactions with related parties procedure Consob Regulation"), available on the Company website <http://elica.com/corporation> (Corporate Governance section).

<sup>12</sup> See in this regard the Section "4.4 Executive Boards".

On March 12, 2020, the Board of Directors, after receiving the opinion of the Appointments and Remuneration Committee, reassessed the adequacy of the Board in terms of its size following the resignation of Director Davide Croff. Following the assessment, the Board considered the number of seven members to be adequate to balance executive and non-executive directors, and for diversity, proposing to the Shareholders' Meeting to reduce the number of members of the Board from eight to seven.

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The Shareholders' Meeting did not authorise, nor were the Board presented with, any general or specific competitor agreements as per article 2390 of the civil code.

#### **Activities of the Board of Directors and of the Committees in 2019 and 2020 up to the date of the present Report.**

In the year 2019:

- the Board of Directors met eleven times (average meeting duration of approx. 2 hours), and specifically on February 12, February 22, March 7, May 7, July 8, July 23, July 30, September 26, September 30, October 31 and December 17;
- the Control, Risks and Sustainability Committee met six times (average meeting duration of approx. 1 hour and 15 minutes), and specifically on February 8, March 6, May 6, July 8, July 23 and October 24;
- the Appointments and Remuneration Committee met seven times (average meeting duration of approx. 1 hour and 30 minutes), and specifically on February 8, March 6, May 6, July 8, July 23, September 30 and October 24;

Minutes are kept of the Board and Committee meetings and the Chairpersons of each Committee reported upon such at the next appropriate Board of Directors meeting.

In TABLE 2 - Attendance at Board of Director and Committee meetings, complete details are shown relating to attendances by directors at the meetings of the Board of Directors and the Committees (Control, Risks and Sustainability Committee and the Appointments and Remuneration Committee) in the period from January 1, 2019 to December 31, 2019.

On the approval of year-end financial statements and on the Shareholders' Meeting, at the date of this Report, six Board of Directors meetings are scheduled for the year 2020.<sup>13</sup> For further details, the corporate events calendar of the Company may be consulted on the website <http://elica.com/corporation> in the Investor Relations section.

Again with reference to the 2020 financial year, the Appointments and Remuneration Committee met three times - on February 6, February 13 and March 5, while the Control, Risk and Sustainability Committee met twice - on February 6 and March 5. At least five meetings are scheduled for each Committee in the year 2020, with pre-set calendar dates taking account of the sequence of board meetings with respect to those of the Board of Directors.

#### **4.4 Executive Boards**

In order to ensure greater management efficiency and in conformity with article 2 of the Self-Governance Code, the Board of Directors delegated adequate powers to the Executive Directors, who periodically report in relation to the exercise of such delegated powers.

Following that resolved by the Board of Directors in the meeting of April 27, 2018, the following powers were attributed:

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<sup>13</sup> The 6 meetings scheduled include the meetings already held on February 13 and March 12, 2020.

to the **Chairman of the Board of Directors** of the Company, Mr. FRANCESCO CASOLI (“EXECUTIVE CHAIRMAN”), REPRESENTATION OF THE COMPANY AGAINST THIRD PARTIES AND IN LEGAL MATTERS, GENERAL SUPERVISION OF THE STRATEGIC POLICIES OF THE COMPANY AS WELL AS ALL POWERS WHICH THE BY-LAWS ATTRIBUTE TO THE BOARD OF DIRECTORS WITH THE EXCEPTION OF THOSE NON-LEGALLY DELEGABLE AND THE FOLLOWING POWERS WHICH REMAIN WITHIN THE EXCLUSIVE REALM OF THE BOARD OF DIRECTORS:

- APPROVAL OF THE ANNUAL BUDGET;
- PURCHASE AND/OR SALE OF INVESTMENTS, BUSINESSES AND BUSINESS UNITS, RENTAL OF BUSINESSES AND/OR BUSINESS UNITS, FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PROVISION OF SECURED AND NON-SECURED GUARANTEES, INCLUDING ATYPICAL, FOR THIRD PARTY OBLIGATIONS OF A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- OBTAINMENT OF LOANS OF A UNITARY AMOUNT ABOVE EURO 5,000,000.00;
- CONCLUSION OF LEASING OR RENTAL CONTRACTS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF ASSETS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF BRANDS, TRADEMARKS AND INDUSTRIAL PROPERTY RIGHTS IN GENERAL, AS WELL AS THE CONCLUSION OF RELATED LICENCES;
- APPOINTMENT OF THE GENERAL MANAGER OF THE COMPANY;
- EVERY DECISION REGARDING THE EXERCISE OF THE VOTING RIGHT OF SUBSIDIARY AND/OR ASSOCIATED COMPANIES FOR MATTERS RELATED TO THE PRESENT LIST OF POWERS.

A FURTHER EXCEPTION TO THE POWERS ATTRIBUTED TO THE CHAIRMAN MR. FRANCESCO CASOLI RELATES TO THE POWERS CONCERNING THE TITLE OF “EMPLOYER” AS PER LEGISLATIVE DECREE 81/2008, THE “APPOINTED OFFICER” FOR THE PROTECTION OF THE ENVIRONMENT AS PER LEGISLATIVE DECREE 152/2006, THE “HANDLER” OF PERSONAL DATA FOR ELICA S.P.A. AS PER LEGISLATIVE DECREE 196/03, THE ELECTRONIC STORAGE MANAGER IN ACCORDANCE WITH PRESIDENTIAL DECREE OF 3/12/2013, AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS; THESE POWERS WERE CONFERRED TO THE C.E.O. OF THE COMPANY.

THE UNITARY LIMITS STATED ABOVE INCLUDE ALSO SEVERAL OPERATIONS OF THE SAME NATURE CLASSIFIABLE BY MANNER, TERMS OR SCOPE AS A SINGLE OPERATION.

IN RELATION TO ALL OF THE POWERS CONFERRED, THE EXECUTIVE CHAIRMAN WILL HAVE THE FACULTY TO APPOINT POWERS OF ATTORNEY FOR SINGLE ACTS OR CATEGORIES OF ACTS.

The Board of Directors conferred the powers above to the Chairman, in consideration of the role which the Chairman has had and has in the growth of the Company and based on his experience and professionalism in the sector.

Mauro Sacchetto, appointed Chief Executive Officer, was awarded the following powers the Board of Directors’ motion of July 8, 2019:

- REPRESENTATION OF THE COMPANY TO THIRD PARTIES AND IN LEGAL MATTERS, IN ADDITION TO ALL POWERS WHICH THE BY-LAWS ATTRIBUTE TO THE BOARD OF DIRECTORS WITH THE EXCEPTION OF THOSE OF EXTRAORDINARY ADMINISTRATION, THOSE NON-LEGALLY DELEGABLE AND THE FOLLOWING POWERS WHICH REMAIN WITHIN THE EXCLUSIVE REMIT OF THE BOARD OF DIRECTORS:
- APPROVAL OF THE ANNUAL BUDGET;
- PURCHASE AND/OR SALE OF INVESTMENTS, BUSINESSES AND BUSINESS UNITS, RENTAL OF BUSINESSES AND/OR BUSINESS UNITS, FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PROVISION OF SECURED AND NON-SECURED GUARANTEES, INCLUDING ATYPICAL, FOR THIRD PARTY OBLIGATIONS OF A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- OBTAINMENT OF LOANS OF A UNITARY AMOUNT ABOVE EURO 5,000,000.00;
- CONCLUSION OF LEASING OR RENTAL CONTRACTS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF ASSETS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF BRANDS, TRADEMARKS AND INDUSTRIAL PROPERTY RIGHTS IN GENERAL, AS WELL AS THE CONCLUSION OF RELATED LICENCES;
- APPOINTMENT OF THE GENERAL MANAGER OF THE COMPANY;

- EVERY DECISION REGARDING THE EXERCISE OF THE VOTING RIGHT OF SUBSIDIARY AND/OR ASSOCIATED COMPANIES FOR MATTERS RELATED TO THE PRESENT LIST OF POWERS.

THE UNITARY LIMITS STATED ABOVE INCLUDE ALSO SEVERAL OPERATIONS OF THE SAME NATURE CLASSIFIABLE BY MANNER, TERMS OR SCOPE AS A SINGLE OPERATION. IN RELATION TO ALL OF THE POWERS CONFERRED, THE CHIEF EXECUTIVE OFFICER WILL HAVE THE FACULTY TO APPOINT POWERS OF ATTORNEY FOR SINGLE ACTS OR CATEGORIES OF ACTS.

THE CHIEF EXECUTIVE OFFICER IS THE PRIMARY PARTY RESPONSIBLE FOR THE MANAGEMENT OF THE ISSUER.

THE CHIEF EXECUTIVE OFFICER IS ALSO ASSIGNED THE ROLE OF APPOINTED OFFICER FOR THE PROTECTION OF THE ENVIRONMENT, IN ACCORDANCE WITH LEGISLATIVE DECREE 152/2006 AND ASSOCIATED DECREES, WITH THE POWER TO DELEGATE, AS WELL AS ALL THE POWERS, NONE BEING EXCLUDED, CONCERNING THE PROGRAMMING, ORGANISATION, MANAGEMENT AND CONTROL OF THE COMPANY IN RELATION TO WORKPLACE HEALTH AND SAFETY AND, IN PARTICULAR, THE POWERS OF ORGANISATION AND SELECTION AND OF PREVENTION AND PROTECTION MEASURES IN ORDER TO ENSURE THE FULL DISCHARGE OF LEGAL AND CORPORATE OBLIGATIONS IN IMPLEMENTING SAFETY MEASURES AND ASSOCIATED CONTROL, GUARANTEEING FULL AND PROMPT COMPLIANCE AND THOROUGH OBSERVANCE BY THE COMPANY AND ALL EMPLOYEES OF RULES CONCERNING WORKPLACE SAFETY AND HYGIENE, SUITABLY INFORMING AND INSTRUCTING PERSONNEL IN CHARGE AND ALL SPECIALISTS, AND ASSIDUOUSLY CONTROLLING THE FACILITIES, OFFICES AND EXTERNAL BUILDING SITES WITH FULL AND TOTAL DECISION-MAKING AUTONOMY AND INDEPENDENCE, AS WELL AS WITH FULL AND UNLIMITED POWERS OF EXPENDITURE IN RELATION TO ALL THAT IS NECESSARY TO EQUIP THE COMPANY, FACILITIES, OFFICES AND EXTERNAL BUILDING SITES WITH ALL THE SUITABLE RESOURCES FOR THE PROTECTION OF THE SAFETY AND HEALTH OF WORKERS AND THIRD PARTIES REQUIRED BY LAWS ON THE SECURITY AND PROTECTION OF WORKERS' HEALTH, ENACTED AND TO BE ENACTED IN FUTURE AND, IN PARTICULAR, BY LEGISLATIVE DECREE 81/2008 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS, AND ASSOCIATED LAWS.

THE CHIEF EXECUTIVE OFFICER ASSUMES THE ROLE AND FUNCTIONS OF "EMPLOYER", PURSUANT TO AND IN ACCORDANCE WITH ARTICLE 2, PARAGRAPH 1, LETTER B) OF LEGISLATIVE DECREE NO. 81/2008 CONCERNING THE PREVENTION OF ACCIDENTS AND THE PROTECTION OF WORKERS' HEALTH AT THE WORKPLACE, WITH REFERENCE TO ALL THE COMPANY'S WORKERS AND WORK PREMISES, WHEREVER THEY ARE LOCATED, AND IN ANY CASE WHERE THE COMPANY HAS LEGAL RESPONSIBILITY OR LEGAL TITLE OF THE SITES AND ORGANISATION, WITH POWERS TO DELEGATE ALL THE OBLIGATIONS TO BE COMPLIED WITH AND THE REQUIREMENTS TO BE IMPLEMENTED, IN COMPLIANCE WITH THE PROVISIONS OF LEGISLATIVE DECREE NO. 81/2008 AND THE ORGANISATION, MANAGEMENT AND CONTROL MODEL OF ELICA S.P.A. AS PER LEGISLATIVE DECREE 231/2001, WITH THE EXCEPTION OF THOSE THAT CANNOT BE EXPRESSLY DELEGATED PURSUANT TO ARTICLE 17, LETTERS A) AND B) OF LEGISLATIVE DECREE NO. 81/2008. SUCH POWERS OF DELEGATION, WHERE EXERCISED, SHOULD COMPLY WITH THE PARAMETERS INDICATED IN ARTICLE 16 OF THE MENTIONED DECREE.

IN ADDITION, THE CHIEF EXECUTIVE OFFICER IS ATTRIBUTED THE WIDER POWERS AND FACULTIES, WITHIN STATUTORY LIMITS, AS THE "HANDLER" OF PERSONAL DATA FOR ELICA S.P.A., AS PER LEGISLATIVE DECREE NO. 196/03 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS, INCLUDING REPRESENTATION OF THE COMPANY WITH THIRD PARTIES, INCLUDING THE PRIVACY GUARANTEE.

THE CHIEF EXECUTIVE OFFICER IS ALSO APPOINTED ELECTRONIC STORAGE MANAGER IN ACCORDANCE WITH PRESIDENTIAL DECREE OF DECEMBER 3, 2013, GRANTING HIM FULL DECISION-MAKING POWERS AND WITHOUT EXPENDITURE LIMITS, WITH THE POWER TO DELEGATE SOME OF HIS DUTIES TO PERSONS POSSESSING SUITABLE PROFESSIONAL AND TECHNICAL CHARACTERISTICS.

The position of Chief Executive Officer of the Company was occupied by Antonio Recinella until July 8, 2019, with similar powers.

There are no cases of interlocking directorates, as defined in Article 2.C.6. of the Code.

## **Reporting to the Board of Directors**

In order to guarantee transparency and proper disclosure within the Company relating to the activities carried out by the directors with operational powers, and in conformity with Article 1.C.1. letter d), of the Code and the By-laws, the executive directors report in a timely manner, and at least quarterly, to the Board of Directors and the Board of Statutory Auditors in relation to the activities carried out in execution of the powers delegated, on the general performance and on the outlook, as well as on significant operations for size or characteristics carried out by the Company and its subsidiaries. In particular, the company bodies report upon any atypical and unusual transactions with related parties and/or which may cause potential conflicts of interest, on their own behalf or of third parties, as well as concerning the strategic plan, industrial and financial projects of the Company and of the Group.<sup>14</sup>

In 2019, the executive directors reported systematically to the Board in relation to the powers delegated to them.

On July 30, 2019 Elica's Board of Directors then implemented Regulations for "Setting the calendar of annual meetings, information for the Board of Directors and minute-taking for meetings", as indicated at paragraph 4.3.

The Regulations provide that the calendar of meetings for the entire calendar year be set and proposed by the Company's management to the Directors by January 30 of each year. In formulating the Calendar, account is taken of the applicable legislation, the deadlines established by the internal procedures for the approval of the data for the period and, insofar as possible, the needs expressed by the Directors and members of the Board of Statutory Auditors. The methods of circulating the materials required for the meetings of the boards and committees, procedures for organizing, holding and minute-taking for meetings and all other details relating to the process of providing information to the Board are all defined.

#### **4.5 Other Executive Directors**

No other directors apart from those indicated in the previous Section 4.4 are considered as executive directors within the Company.<sup>15</sup>

In particular, on the Board there are no further directors than those indicated in the previous section acting as Chief Executive Officer or Executive Chairman of a subsidiary and/or holding managerial offices in the company, in a subsidiary or in the parent.

#### **4.6 Independent Directors**

Within the Board of Directors, in compliance with Article 3.P.1. of the Code, the Directors Elio Cosimo Catania, Davide Croff, Barbara Poggiali, Cristina Finocchi Mahne and Federica De Medici are considered independent on the basis of the declarations issued by them and assessments made by the Board of Directors on their appointment, on March 7, 2019 and, most recently, on March 12, 2020. Following its appointment, the Board of Directors concluded that Mr. Giovanni Tamburi was independent pursuant to both the CFA and Self-Governance Code. The assessment of the independence of the Directors in accordance with both the CFA and the Self-Governance Code was repeated on March 12, 2020. At the end of the assessment the following Directors were declared independent: Elio Cosimo Catania, Cristina Finocchi Mahne, Barbara Poggiali and Federica De Medici.

The independent directors, following the evaluation carried out by the Board of Directors in conformity with Articles 3.C.1. and 2 of the Self-Governance Code and Article 148, paragraph 3 of the CFA, are considered independent as:

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<sup>14</sup> For further information on the procedures concerning transactions with related parties and/or those which may give rise to potential conflicts of interest, reference should be made to the subsequent section 12. "HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES", in addition to the "Procedure for Transactions with Related Parties", available on the Company website <http://elica.com/corporation>, Corporate Governance Section.

<sup>15</sup> The Chairman of the Board of Directors, Francesco Casoli acts as the Sole Director of Fintrack S.p.A. and is the Executive Director of FAN S.r.l.

- a) they do not directly or indirectly, including through subsidiaries, trusts or nominees, control the company and are not capable of exercising significant influence, or participate in a shareholder agreement through which one or more parties can exercise control or significant influence on the Company;
- b) they are not and have not been in the previous three years, a senior representative<sup>16</sup> of the Company or of one of its subsidiaries with strategic importance or of a company subject to common control, or of a company or of a body that, even together with others through a shareholder agreement, controls the Company or is able to exercise significant influence;
- c) they do not have and have not had, directly or indirectly (for example through subsidiary companies or where they are a relevant member, or as partner of a professional advisory firm or a consultancy company) in the previous year, a significant commercial, financial or professional relationship:
  - with the Company, a subsidiary, or with some relevant members;
  - with a party that, also together with others through a shareholder agreement, controls the Company, or
  - in relation to companies or bodies - with the relevant members;or are not and were not in the previous three years, an employee of one of the above parties;
- d) they do not receive and have not received in the previous three years, from the Company or a subsidiary or parent company a significant additional remuneration other than the “fixed” fee of non-executive director and the compensation for Committee membership established by the Code, including incentive participation plans relating to the performance of the company, including share-based payments;
- e) they have not been a director of the Company for more than nine of the past twelve years;
- f) they are not an executive director in another company in which an executive director of the Company is a director;
- g) they are not shareholders or directors of a company or of an entity belonging to the network of the auditors of the Company;
- h) they do not have a close family member in a situation described in the previous points.
- i) the conditions established by Article 2382 of the Civil Code are not applicable;
- l) they are not spouses, relatives or close members within the fourth level of the directors of the Company; they are not directors, spouses, relatives or similar within the fourth level of the directors of the companies controlled, of the companies that control it or subject to common control;
- m) they are not related to the company or any subsidiaries or companies that control the company or subject to any common control or to the directors of the company or any parties at letter l) above or independent or subordinated employment or any other monetary or professional relationship which may compromise their independence.

The assessment of independence was undertaken by the Board of Directors, in accordance with Article 3.C.4. of the Code and Article 147-ter, paragraph 4 of the CFA, based on the declarations made by the interested parties and available to the Company. The result of these assessments were communicated to the market. At the same time, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board in accordance with Article 3.C.5. of the Code. For the result of these evaluations, reference should be made to the subsequent Section Activities of the Board of Directors and Committees in 2019 and in 2020 until the date of the present report and to that reported in the Board of Statutory Auditors Report to the Shareholders’ Meeting, available on the Company website <http://elica.com/corporation> in the Investor Relations Section.

The presence of four Non-Executive and independent Directors on the board of the company has the objective of achieving the greatest possible corporate “good governance” through enabling debate and dialogue between all of the Directors.

The contribution of the independent directors permits the Board to evaluate with sufficient independence in cases of potential conflicts of interest of the Company with the controlling shareholders.

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<sup>16</sup> “Senior representatives” of a company or an entity concern: the Chairman of the body, the Chairman of the Board of Directors, the Executive Directors and senior management.

In 2019, the independent directors, in accordance with Article 3.C.6. of the Code, met on October 24, also to discuss the functioning of the Board and of the Committees, the role of the Directors and to agree proposals for ensuring the provision of better support to management and value to the company. During the meeting, the independent directors found the information received from the Board to be prompt and complete and stated that they were willing to increase the number of visits to establishments and participation in side events that make it possible to deepen knowledge of the Group, including through increased participation by line managers in meetings.

#### **4.7 Lead Independent Director**

On April 27, 2018, following the appointment of the new Board of Directors, under application criteria 2.C.5. of the Code (Lead Independent Director) Ms. Federica De Medici was appointed to the role. The Lead Independent Director has the right, among others, on his own initiative or upon the request of the other directors, to summon meetings of the independent directors in order to discuss issues that are considered relevant regarding the functioning of the Board of Directors or management in general. From the appointment date and for the year 2019, the Lead Independent Director operated as a reference point for the other independent directors, collaborating, among others, with the Chairman of the Board of Directors, in order to guarantee complete and timely information for the independent directors. The Board considered it necessary to appoint a Lead Independent Director in consideration, among other issues, of the extent of the duties conferred to the Chairman of the Board of Directors (although he does not act as C.E.O.) and the offices held in the company's holding company. The Chairman of the Board of Directors Francesco Casoli is the majority shareholder of the holding company which indirectly controls the company and holds the position of director at Elica's parent companies; therefore, he indirectly controls the company in accordance with Article 93 of the CFA.

#### **5. Processing of corporate information and persons with access to confidential information ("Insiders Register").**

In accordance with Article 4 of the Self-Governance Code, the company has adopted a Regulation concerning the internal management and outside communication of documents and information regarding the company, particularly in terms of insider information, as defined by the provisions of Article 7, Regulation 596/2014/EC and Article 114, paragraph 1 of the CFA. The Regulation was updated in October 2018 for the purposes of associated compliance with recent legislative amendments and latterly in March 2020 to adjust to the new definition senior executives of the Company.

The regulation adopted by the company is divided into two parts. The first part sets out the handling of company information and outlines in general, also with regards to the subsidiaries, the means for the identification and handling of Insider Information, including: the relative disclosure, the delay of communication to the public, penalties in the case of non-compliance with the regulation, in addition to the situations in which the company may decide to carry out market soundings.

The second part governs the setting up, management and updating of the list of persons, who based on their work or professional activities or the duties conferred to them, have access to the information indicated at Reg. (EC) 596/2014/EU and Article 114, paragraph 1 of the CFA.

The Company has published the provisions of this regulation internally within the Company and its subsidiary companies and has systematically managed, by launching a specific delay procedure, and/or and communicated the confidential information published from time to time.

In October 2018 and latterly in March 2020, the Board of Directors of the Company in addition updated the “Insider Information Policy” and the “Management of the insider register” policy.

Since March 19, 2018, the role of “Investor Relations Manager”, with responsibility for the Insider Register of the Company, has been performed by Group Controlling & Investor Relations Director Giulio Cocci, who has been acting also as Group Chief Financial Officer and Corporate Financial Reporting Manager since September 30, 2019.

## **6. INTERNAL COMMITTEES**

The Board of Directors of the Company, in accordance with Article 4.P.1. of the Self-Governance Code, approved and subsequently confirmed the setting-up of an “Appointments and Remuneration Committee” and a “Control, Risks and Sustainability Committee”, formed by independent directors.<sup>17</sup>

The Appointments and Remuneration Committee was established in accordance with Article 4.C.1., letter c) and in compliance with the provisions of Articles 5.P.1. and 6.P.3. of the Code. The decision to create and maintain a single Committee for the Appointment and Remuneration of Directors, confirmed latterly by the Board at the assessment of April 2018, is based on the size of the Board and of the company, in addition to the need of the company to maintain, and in compliance with the conditions of the Code, a responsive and effective organisation, also considering that the functioning of the Committees has been assessed as excellent during the recent self-assessment. The functions and activities of the Committee with regard to remuneration and the replacement of directors are, in any case, clearly distinct.

The Control, Risks and Sustainability Committee was set up in accordance with Articles 4.P.1., 7.P.3. a (ii) and 7.P.4. of the Self-Governance Code.

The work of the Committees is co-ordinated by the respective Chairpersons: Elio Cosimo Catania, Chairman of the Appointments and Remuneration Committee, and Davide Croff, Chairman of the Control, Risks and Sustainability Committee until his voluntary resignation tendered on February 11, 2020. On March 12, 2020, Cristina Finocchi Mahne assumed the role of Chairperson of the Control, Risks and Sustainability Committee in place of Davide Croff.

Both Committees have adopted internal regulations governing their operation.

Further information on these committees is reported in sections “7. ASSESSMENTS ON THE OPPORTUNITY TO SET UP AN APPOINTMENTS COMMITTEE “, “” and “10. CONTROL, RISKS AND SUSTAINABILITY COMMITTEE”.”

## **7. ASSESSMENTS ON THE OPPORTUNITY TO SET UP AN APPOINTMENTS COMMITTEE**

The company, following the latest assessment of April 27, 2018, decided not to set up a specific Appointments Committee. Consequently, the Appointments and Remuneration Committee was assigned also the functions of the Appointments Committee.

For further information, reference should be made to section “**6. INTERNAL COMMITTEES” AND “8. APPOINTMENTS AND REMUNERATION COMMITTEE”**.”

## **8. APPOINTMENTS AND REMUNERATION COMMITTEE**

### **Composition and operation of the Committee (as per Article 123-bis, paragraph 2, letter d) CFA)**

The Board of Directors of the Company, in accordance with Articles 4.P.1., 5.P.1. and 6.P.3. of the Self-Governance Code, set up an Appointments and Remuneration Committee.

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<sup>17</sup> As from April 27, 2018, the “Internal Control & Risk Management Committee” took the name of “Control, Risks and Sustainability Committee”.

Committee members since April 27, 2018 and, for all 2019, are the independent directors Elio Cosimo Catania (Chairperson), Davide Croff and Barbara Poggiali.<sup>18</sup> As stated above, Davide Croff tendered his resignation for personal reasons on February 11, 2020. Since March 12, 2020, the Committee has been comprised of Federica De Medici, Barbara Poggiali and Elio Cosimo Catania, the latter acting as Chairman.

The Appointments and Remuneration Committee was allocated all of the duties established by Articles 5.C.1., 6.P.4. and 6.C.5. of the Self-Governance Code. In addition, on February 12, 2016, the Appointments and Remuneration Committee, following the adoption by the Company of a succession plan for executive directors, were assigned the additional functions necessary for the effective implementation of the plan.<sup>19</sup> The Board of Statutory Auditors is required to attend the meetings of the Committee, through the Chairman and the Standing Members of the Board.

The Members of the Committee have knowledge and experience in relation to accounting and financial matters and/or remuneration policies; in particular, the Chairman Elio Cosimo Catania and Barbara Poggiali have particular remuneration policy experience. The Board considers that the Members of the Committee have sufficient professional abilities to carry out the roles entrusted to them.

This committee guarantees the greatest information and transparency on the remuneration of directors vested with specific offices, as well as the manner for determining the remuneration.

The Committee has solely proposing and consultative functions, while the power of determining the remuneration of the Directors vested with specific offices remains with the Board of Directors, having consulted with the Board of Statutory Auditors.

In particular, the Committee performs the following functions in accordance with the procedures established in its own regulations:

- a. draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board is considered beneficial, in addition to the matters as per Application criteria 1.C.3. and 1.C.4. of the Self-Governance Code (July 2018 version);
- b. proposes to the Board of Directors candidates for the office of director in the cases of co-option, or to replace independent directors;
- c. defines and proposes the means and the timelines for the annual assessment of the Board of Directors;
- d. periodically evaluates the adequacy, the overall compliance and the application of the remuneration policy of senior directors and senior executives, utilising for this latter issue the information provided by the Chief Executive Officers.
- e. consequently presents to the Board of Directors related proposals and therefore proposes a policy for the remuneration of senior directors and senior managers; reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting.
- f. presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other senior directors as well as establishing the performance objectives related to the variable component of this remuneration; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
- g. within its remit, the Committee reviews the overall salary structure of the Company and in particular monitors the application of management incentive systems (including any share-based remuneration plans), i.e. those instruments put in place to attract and motivate employees with adequate experience, developing their sense of belonging and assuring over time a consistent commitment to the creation of value;
- h. oversees the Succession Plan for executive directors, executing the indicated functions.<sup>20</sup>

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<sup>18</sup> There were no changes to the Committee's composition in 2019.

<sup>19</sup> For further information, reference should be made to Note 4.1. Section: Succession plans.

<sup>20</sup> For further information, reference should be made to Note 4.1. Section: Succession plans.

- i. monitors the updating of the management replacement tables, undertaken by the executive directors and supports the Chief Executive Officer and the competent functions with regard to the development of managers;
- j. with the support of the relevant company structures, prepares the documentation, on the issues within their remit, to be submitted to the Board of Directors for decision-making, in terms of those matters considered by applicable regulations. In particular, the Chairman of the Committee reports to the Board of Directors, at the first appropriate Board meeting, with regard to the activities of the Committee;
- k. reports to shareholders on the manner of exercise of their functions; therefore, the Chairman or another Committee member usually attends the Shareholders' Meeting.

In relation to the activities undertaken by the Committee in 2019, the persons participating at the relative meetings and the instruments and resources available at the meetings, reference should be made to the first Section of the Remuneration Report.

For further information regarding the number of meetings held and the participation at the meetings for each of the members, reference is made to the section "Activities of the Board of Directors and of the Committees in 2019 and 2020 up to the date of the present Report."

## 9. REMUNERATION OF DIRECTORS

For information on the present Section, reference should be made to the Remuneration Report, Section 1.

In accordance with Article 6.C.3. of the Self-Governance Code, the remuneration of senior executives is established by the Corporate Boards in line with the criteria concerning remuneration of Executive Directors or those with specific roles.

In relation to the incentives for the Executive Responsible for the preparation of Corporate Accounting Documents, these are in line with the responsibilities assigned.

## 10. CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

Composition and operation of the Committee (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The Board of Directors of the Company, in accordance with Articles 4.P.1. and 7.P.4. of the Self-Governance Code, set up a Control, Risks and Sustainability Committee.

Committee members since April 27, 2018 and throughout 2019 were the independent directors Davide Croff (Chairman), Elio Cosimo Catania and Cristina Finocchi Mahne.<sup>21</sup> As stated above, Davide Croff tendered his resignation for personal reasons on February 11, 2020. On March 12, 2020, Federica De Medici was appointed to the Control, Risks and Sustainability Committee, of which Cristina Finocchi Mahne has assumed the Chair.

The Control, Risks and Sustainability Committee is composed of members with adequate financial, accounting and risk management experience.

The Board of Statutory Auditors is required to attend the meetings of the Committee, through the Chairman and the Standing Members of the Board. In relation to the specific matters on the Agenda, and also on invitation, the following also attended: the Corporate Financial Reporting Manager, the Internal Audit Manager and the Company Managers.

The Control, Risks and Sustainability Committee, within the scope of its powers, in observance of the recommendations of the Self-Governance Code, supports, with appropriate preparatory activities, the assessments and decisions of the Board of Directors on the Internal Control and Risk Management System, in addition to those concerning the approval of the periodic financial reports. The Committee, in particular, has been appointed to:

- provide opinions to the Board of Directors (i) establishing the guidelines of the Internal Control and Risk Management System, so that the principal risks relating to the Company and its subsidiaries are correctly identified, in addition to adequately measured, managed and monitored (ii) evaluating, at least annually, the adequacy of the Internal and Risk Management System in relation to the

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<sup>21</sup> There were no changes to the Committee's composition in 2019.

characteristics of the Company and the risk profile assumed, in addition to its efficacy (iii) approving, at least annually, the work plan prepared by the Internal Audit Manager, having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System (iv) in the description of the principal characteristics of the internal control and risk management system for the evaluation of its adequacy; and (v) having consulted with the Board of Statutory Auditors, the findings of the independent audit firm in any letter containing suggestions and in the report on fundamental questions arising during the audit;

- provides a favourable opinion to the Board of Directors (i) on the appointment and replacement of the Internal Audit manager (ii) ensuring adequate resources for the carrying out of their duties and the determination of the remuneration of the Internal Audit manager, in accordance with company policy;
- evaluate, together with the Executive Responsible for the preparation of corporate accounting documents, following consultation with the auditors and the board of statutory auditors, the correct application of the accounting principles and, in the case of groups, their uniformity in the preparation of the consolidated financial statements;
- express opinions on specific aspects concerning the identification of the principal corporate risks;
- examine the periodic reports, concerning the evaluation of the internal control and management of risks system, and those of particular size, prepared by the internal audit department;
- monitor the independence, adequacy, efficacy and efficiency of the internal audit department;
- request verifications on specific operating areas from the Internal Audit department, communicating at the same time such to the Chairman of the Board of Statutory Auditors;
- through the Chairman of the Committee, at the next appropriate Board meeting, report to the Board on the meetings held and, at least every six months, on the approval of the annual and half-year reports, communicates to the Board a formal report on the work carried out and on the adequacy of the internal control and risk management system;
- perform the additional consultative and/or propositional tasks assigned by the Board of Directors, particularly with regard to relations with the independent audit firm;
- support, with appropriate preparatory activity, the assessments and decisions of the Board of Directors concerning the management of risk from events which come to the attention of the Board of Directors.
- assigned proposal and consultative functions with regards to the Board of Directors as per Legislative Decree 254/2016, in application of the European sustainability regulation, i.e. the processes, initiatives and activities required to communicate the company's commitment to sustainable development throughout the supply chain. For example purposes, the Committee:
- examines and evaluates: (i) sustainability policies aimed at ensuring the creation of value over time for the majority of shareholders and for all other stakeholders over a medium-long term period in accordance with the principles of sustainable development; (ii) the guidelines, objectives and consequent processes of sustainability and sustainability reporting submitted annually to the Board of Directors;
- examines any sustainability initiatives submitted to the Board of Directors;
- expresses an opinion on other sustainability issues at the Board's request.
- the Control, Risks and Sustainability Committee was also allocated the role to issue a non-binding prior opinion on the interest of the company, as well as the suitability and substantial correctness of the conditions, in the case of transactions with related parties as per the Procedure for Transactions with Related Parties.<sup>22</sup>

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<sup>22</sup> See also par.: 4.1 "Prior opinion of the Committee" of the procedure for Transactions with Related Parties, available on the Company website. For further information regarding the participation at the meetings for each of the members, reference is made to section "Activities of the Board of Directors and of the committees in 2019 and 2020 up to the date of the present Report".

In 2019, the Control, Risks and Sustainability Committee, among others, and in accordance with the procedures established in its own regulations:

- analysed the periodic reports, concerning the evaluation of the internal control and risk management system, prepared by the Internal Audit department;
- took note of Elica S.p.A.'s Risk Profile, presented by Internal Audit, and assessed the quality and the means for Internal Audit's execution of risk assessments;
- assessed the system of reporting and internal information flows to the company and to the subsidiaries for the identification, assessment and management of risks;
- assessed, together with the executive officer for financial reporting and having consulted with the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting policies and their uniformity for the preparation of the consolidated financial statements;
- noted the report of the Internal Control System at Elica prepared by Internal Audit, in support of the assessment upon the adequacy and effective operation of the Internal Control and Risk Management System;
- assessed the adequacy of the Internal Control and Risk Management System;
- assessed the reports of the Credit Committee and upon related party transactions, proposing to maintain the Related Party Transactions procedure adopted by the company unchanged;
- on the subject of related parties, asked for further details of the safeguards adopted to prevent agreements from accidentally being entered into with related parties;
- assessed the performance of the 2019 Audit Plan and proposed changes/integrations to it for 2020.
- repeatedly monitored the company procedures systematisation project, which is moving forward;
- gave a favourable opinion of the proposal to appoint Daniele Bruni as manager of the Internal Audit function, along with the related function of Risk & Compliance Director, and his appointment as a member of the Supervisory Board;
- gave a favourable opinion of the approval by the Board of the new "Internal Audit Mandate";
- assessed the Non-Financial Statement proposal and the procedure for its drafting;
- reiterated the importance of including sustainability objectives in the planning of medium-term business strategies.
- gave a favourable opinion of the Supervisory Board's proposal to update the 231 Model to reflect the amendments introduced by Law No. 3 of 2019, the "Spazzacorrotti Law";
- recommended the performance of employee training activities, particularly following the update of the Model.

The Committee had access to the information and departments for the undertaking of their duties as well as the assistance of external consultants, within the terms established by the Board. Therefore, as the Committee availed of the resources, the means and the structure of the Company, the provision of specific financial resources is not provided for.

#### **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETT. B) CFA)**

The Board, with responsibility for the overall internal control and risk management system, defines, also with the support of the Control; Risks and Sustainability Committee, the guidelines to ensure that the principal risks of the Company and of the Group are identified, measured, managed and monitored, in line with best practice domestic and international models.

In establishing the guidelines for the risk management and internal control system, the Board also assessed the compatibility of this system with the strategic objectives identified and the level of risk considered acceptable in terms of medium/long-term sustainability.

The Internal Control and Risk Management System, based on the “COSO Report” model and on the Self-Governance Code principles, comprises a set of rules, procedures and organisational structures with the objective to prevent or limit the consequences of unexpected results or permit the achievement of strategic and operational objectives, comply with law and applicable regulations (compliance) and correct and transparent disclosure (reporting). This system concerns all of the Company and involves different parties attributed specific duties and responsibilities.

The Board of Directors of Elica defined the guidelines of the Internal Control System, taking into account the nature and level of compatible risk with the corporate strategic objectives. These risks are identified based on the following criteria:

- a) nature of the risk, particularly in relation to risks of a financial nature, those concerning compliance with accounting rules and those with a potentially significant impact on the reputation of the Company;
- b) significant probability of the occurrence of the risk;
- c) limited capacity of the Company to reduce the impact of the risk on operations;
- d) significant size of the risk.

The Board of Directors, taking account of the Supervisory Board’s reports, the Internal Audit’s reports and the conclusions of the Internal Audit Manager in the annual report on the internal control system, of the information received from the appointed boards and of the opinion of the Director in charge of the Internal Control System, issued an opinion of substantial adequacy (“Defined” level of maturity), efficiency and effective functioning of the Internal Control and Risk Management System, without prejudice to certain areas of improvement.

In addition, the Board of Directors, having consulted the Board of Statutory Auditors and Director in charge of the Internal Control and Risk Management System, approved the 2020 Audit Plan, prepared by the Internal Audit Department.

### **11.1 Executive in charge of the Internal Control and Risk Management System**

The Company appointed a Director in charge of the creation and maintenance of an effective Internal Control and Risk Management System, in line with Article 7.P.3. of the Self-Governance Code.

On April 27, 2018, the Executive Chairman, Francesco Casoli was confirmed Director in charge of the Internal Control System.

In particular, in 2019, the appointed Director, in the exercise of his functions:

- identified the main business risks, taking into account the characteristics of the activities undertaken by the Issuer and by its subsidiaries, and periodically presents them for examination to the Board of Directors on the approval of the quarterly reports;
- shared with the Board of Directors the guidelines utilised for the design, drawing up and management of the Internal Control and Risk Management System, verified the adequacy and implemented any adjustments necessary based on the operating conditions and of the legislative and regulatory environment;
- updated the Board of Directors on any problems arising on the undertaking of their activities;
- issued its positive opinion on the evaluation of the company’s internal control system, while indicating a number of areas for improvement.

### **11.2 Internal Audit Department Manager**

The Internal Audit department undertakes its Internal Auditing activity objectively and independently in order to assist the Board of Directors and the Control, Risks and Sustainability Committee, as well as the company’s management, in discharging their responsibilities related to the internal control and risk management system. The Internal Audit department, which does not report directly to any operational department, reports to the Board of Directors.

In accordance with the recommendations indicated at Articles 7.C.1. and 7.C.6. of the Self-Governance Code, on the proposal of the Director Responsible for the Internal Control and Risk Management System, having consulted with the Board of Statutory Auditors and with the approval of the Internal Control, Risks and Sustainability Committee, by motion of July 30, 2019, the Board of Directors, acknowledging the proposal by the Director Responsible for the Internal Control System and the favourable opinion by the Internal Control, Risks and Sustainability Committee, and having considered the favourable opinion from the Board of Statutory Auditors, unanimously appointed Daniele Bruni Internal Audit Manager of Elica S.p.A and Risk Compliance Director with effect from October 1, 2019, i.e. the date of his hiring by Elica S.p.A.. Protiviti S.r.l., to which the Internal Audit Function had previously been entrusted, continues to assist the Manager. This choice was made, among other issues, with the objective to ensure greater continuity of action and oversight for operations and the adequacy of the internal control and risk management system.

During the year, the Internal Audit function carried out its activities in line with the approved plan. The appointments concerned the various areas of coverage, in terms of financial audits, focused on processes of a financial nature, including those relating to risk management and the associated safeguards of an administrative and accounting nature adopted by Group companies for financial reporting purposes; compliance audits, to ensure the effective implementation of the control system for compliance with internal or external rules or regulations and operational audits, for an assessment of the efficiency and efficacy of instruments to offset operating process risks.

These reports were communicated to the Board of Directors (including the Executive Director in charge of the Internal Control System and the Chief Executive Officer), the Control, Risks and Sustainability Committee and the Board of Statutory Auditors.

The assessments cited by the Internal Audit Manager in his reports did not identify situations detrimental, on the whole, to the suitability and functionality of the internal control and risk management system. The exceptions identified have been brought to the attention of the management personnel involved to take the necessary corrective measures, the completion of which will be monitored over time.

### **11.3 Organisational Model as per Legislative Decree 231/2001**

The company, with regards to the entry into force of Legislative Decree No. 231, June 8, 2001 and subsequent amendments and supplements, which introduced a specific system of responsibility upon the company for certain types of offences, adopted appropriate measures to avoid, as per the regulation, the arising of such responsibility upon the company, with the setting up of specific protocols and oversight systems to prevent certain offences.

Therefore, with the Board of Directors' motion of March 27, 2008, the company adopted the Organisation, Management and Control Model as per Legislative Decree 231/01, which was thereafter subsequently updated, following the regulatory<sup>23</sup> and organisational amendments, latterly on February 13, 2020.

The Model comprises a General Part and ten special parts.

The General Part essentially concerns the governance system of the company, adoption of the Organisation Model, the setting up of the Supervisory Board (hereafter "O.d.V.") and the communication of information to this latter, in addition to the reporting of the O.d.V., from the corporate boards; the training of personnel and the system governing non-compliance with the models provisions.

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<sup>23</sup> In particular, among the measures to adapt to the regulatory framework, we indicate the adoption of specific measures resulting from Law No. 3 of January 9, 2019 (the so-called "Spazzacorrotti" Law, containing "Measures to counter offences against the public administration, the time-barring of offences and the transparency of political parties and their movements").

The special parts relating to similar offences established under the decree and abstractly applicable to company concern: (i) Offences against the Public Administration and inducements to refrain from making declarations or to provide false declarations to the Legal Authorities, (ii) Corporate offences and criminal and administrative market abuse offences (iii) Organised criminality offences, offences committed for the purposes of terrorism or subversion of the democratic order or transnational offences, (iv) Offences concerning the receipt, laundering and use of money, assets or goods of illegal origin, in addition to self-laundering (v) the Offences of culpable homicide or serious or very serious injury committed in violation of rules for the protection of workplace health and security (vi) Offences against industry and commerce and counterfeiting of money, public credit cards, tax stamps or trademarks (vii) Offences against individual and copyright offences (viii) IT offences and the improper handling of data (ix) Employment of illegal aliens (x) Environmental offences.

The special parts of the Model list the areas of risk for the relative offences, stating the specific decision-making protocols and the relative conduct rules for those operating in the above areas and defining the monitoring procedures.

The attachments and supplements of the ELICA Organisational Model are:

- Ethics Code and governance system;
- List of offences as per 231/01;
- Information flows with the Supervisory Board;
- Connectivity matrix
- Duties of the Supervisory Board;

For further details, reference should be made to <https://elica.com/corporation/it/corporate-governance/area-231>.

In 2019, the Supervisory Board of Elica S.p.A., until October 1, 2019, was comprised of Massinissa Magini Paolo (Chairman and external member), Cruciani Marco (external member) and Alessandro Cencioni (external member). As of October 1, following appointment as Internal Audit Manager, Daniele Bruni joined the Supervisory Board, replacing Alessandro Cencioni.

The Supervisory Board communicates to the Board of Directors, on a half-yearly basis, a written report on the implementation and effective functioning of the Organisational, Management and Control Model. The Board of Directors also granted the Supervisory Board sufficient financial resources to carry out all required duties. This allocation however may be recalculated according to any necessary increases on the proposal of the Supervisory Board.

The Board of Directors, following an assessment, decided not to assign the duties of the Supervisory Board to the Board of Statutory Auditors, considering it appropriate to maintain two distinct bodies.

#### **11.4 Independent Audit Firm**

The company on April 29, 2015 appointed the independent auditors KPMG S.p.A. for the 2015-2023 nine-year period.

#### **11.5 Corporate financial reporting manager and other company roles and functions**

In accordance with Article 154-*bis* of the CFA, as amended by Law No. 262 of December 28, 2005 (so-called "Savings Law") and in accordance with Article 26 of the By-Laws, since September 30, 2020, Giulio Cocci, who is also the Company's Group Chief Financial Officer, performed the role of Corporate Financial Reporting Manager.

The position was occupied by Alessandro Carloni until September 30, 2019.

The appointment was made by the Board of Directors, as per Article 26 of the By-Laws and the applicable regulation, following a positive assessment of his professionalism (featuring specific knowledge in terms of administration, finance and control) and also on the basis of his good standing. The company in addition

provides the Corporate Manager with appropriate resources and means for execution of the relative duties.

In particular, in order to fully carry out his duties, the Executive Responsible, among others, may avail of the powers and resources established in the Guidelines drawn up by Confindustria in relation to the role (edition of December 13, 2007).

The Executive Responsible, in the exercise of his institutional role, in application of the above-stated Article 154-*bis* of the CFA:

- has specific duties of control in relation to the legal notices and communications of the Company established by law or announced to the market, containing information and data on the income statement, balance sheet and financial situation of the Company, accompanied by a written declaration of the Chief Executive Officer and the Executive Responsible for the preparation of the Corporate Accounting Documents, who attest to their truthfulness;
- prepare administrative and accounting procedures for the completion of the parent company and consolidated financial statements, as well as for every other communication of a financial nature;
- declares, together with the executive boards, through a report, attached to the parent company and consolidated financial statements, the adequacy and the effective application of the administrative and accounting procedures adopted in the year on which the accounts are based, as well as the correspondence of the financial statements with the underlying accounting documents and records.

The Internal Accounting Control System in fact seeks to provide reasonable certainty that the accounting disclosure provides users with a true and fair representation of the operational facts, corresponding to the documented results, books and underlying accounting entries as well as the adequacy and effective application of the administrative and accounting procedures during the period to which the accounting documents refer.

For details of the principal characteristics of the Risk Management and Internal Control System in relation to the Financial Disclosure process, reference should be made to ATTACHMENT 1 of the present report.

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The various company functions collaborate, each with regards to their respective scope, for the identification and management of risks; in particular, the Administration, Finance and Control Department, the Legal and Corporate Affairs Department and the Risk & Compliance Department support the bodies tasked with the identification and management of compliance activities.

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

The Board of Directors receives and examines on a half-yearly basis the reports prepared by the Control, Risks and Sustainability Committee and examines the significant corporate risks submitted for the attention of the Director in charge of the Internal Control and Risk Management System.

The periodic verification of the adequacy and effective functioning, and any review, form an essential part of the Control and Risk Management System, in order to ensure its full and correct efficacy.

For these purposes the Internal Audit function, in the meetings of the Control, Risks and Sustainability Committee at which the Board of Statutory Auditors and on invitation the Executive Responsible for the Preparation of Corporate Accounting Documents attend, reports on the activities carried out and therefore on the management of risks, on the compliance of the content of the plans, and on the evaluation of the appropriateness of the Internal Control system itself.

#### **12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES**

The "Procedure for Transactions with Related Parties" ("TRP Procedure"), adopted by the Board of Directors in the meeting of November 11, 2010 and updated most recently on October 28, 2016, is available on the website of the Company <http://corporation.elica.com> in the Corporate Governance section, to which reference should be made.

On October 31, 2019, the Board assessed the necessity to modify the TRP Procedure, taking into account the shareholder structure and the effectiveness demonstrated by the Procedure within the applicative practices. Following this evaluation, the Board did not consider it necessary to make any amendments to the TRP Procedure previously approved, including in view of the upcoming decision by Consob on the matter, in accordance with Legislative Decree No. 49/2019, issued in implementation of Directive 2017/828 of the European Parliament and the Council.

In the TRP Procedure, the Board established the criteria to identify transactions for which application is required, in order to ensure the transparency and correctness, both materially and procedurally, of transactions with related parties.

Further information on related party transactions carried out by the company in 2019 is contained in the specific note within the Annual Financial Report.

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In relation to transactions in which a director has, on his own behalf or on behalf of third parties, an interest, the interested director is called, except for specific circumstances, to abstain from the vote or to leave the meeting at the moment of discussion and resolution. When the transaction is not subject to the prior approval of the Board of Directors but within the powers delegated to the interested director, also through the exercise of a specific proxy, this latter abstains from the carrying out of the transaction and provides in a timely and exhaustive manner information in relation to such to the Board.

In order to identify transactions in which a director may have an interest, also on behalf of third parties, the Company utilises, among others, an electronic database containing information on related parties of directors of the Company.

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

In relation to the appointment of statutory auditors, reference is made to the subsequent section "Manner for electing Corporate Boards".

#### **COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) AND D-BIS) CFA)**

The Company's By-laws provide that the Board of Statutory Auditors consist of three standing auditors and two alternate auditors.

The Board of Statutory Auditors currently in office was appointed, in accordance with the requisites of autonomy and independence of Article 8.C.1. of the Self-Governance Code, by the Shareholders' Meeting of April 27, 2018, and remains in office until the Shareholders' Meeting called to approve the financial statements at December 31, 2020.

In particular, on appointment, a slate was presented by the majority shareholder FAN S.r.l., which proposed the following list of candidates:

##### **STATUTORY AUDITORS**

1. FREZZOTTI GIOVANNI
2. BELLI MASSIMILIANO
3. NICOLINI MONICA

##### **ALTERNATE AUDITORS**

1. TIRANTI LEANDRO
2. SPACCAPANICCIA SERENELLA

For further details on the slate, reference is made to the documentation relating to the above-stated Shareholders' Meeting available on the Company's website.

The result of the voting of Shareholders present at the Shareholders' Meeting was as follows:

- VOTES IN FAVOUR: 37,842,937, EQUAL TO 100% OF VOTES.

At TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS attached to the present report, the composition is shown of the Board of Statutory Auditors at December 31, 2019, which has not changed at the preparation date of the present Report.

At the Shareholders' Meeting for the appointment of the new Board of Statutory Auditors, the meeting established the remuneration of the statutory auditors, taking account of the commitment required, the importance of the role, in addition to the size and sector of the company.

Reported below are brief *curricula vitae* of the members of the Board of Statutory Auditors:

**Giovanni Frezzotti:** Born in Jesi (AN) on 22/02/1944, Chairman of the Board of Statutory Auditors of Elica S.p.A.. He has been a member of the Accountants Association of Ancona since 12/03/1965 at No. 16/A as well as being on the Technical Consultants of the Civil and Criminal Court of Ancona roll. He is a member of the Auditors' Register at No. 25202 with Ministerial Decree 12/04/1995 published in the official Gazette No.31 bis of 21/04/1995 – IV Special Series at No. 25202.

He holds the position of Director of Acbgroup S.p.A., Apell S.p.A., Compagnia Sviluppi Industriali ed Immobiliari S.p.A., Fincrea S.r.l., Fondazione Renco, Renco Group S.p.A., Renco S.p.A. and Sanmarcodue S.r.l..

He is Chairman of the Board of Statutory Auditors of Antares Private Equity S.p.A., Ceta S.p.A., Co.ge.fin. S.p.A., Fimag S.p.A., Federico II Stupor Mundi Foundation, Frapi S.p.A., Garinvest S.p.A., Garofoli S.p.A., Gilfin S.p.A., Engifin S.p.A., Golden Lady Company S.p.A., Goldenpoint S.p.A., La Castellina S.p.A., Montenegro S.r.l., Perialisi S.p.A., Perialisi Maip S.p.A. and SLL Group S.p.A..

He is a statutory auditor on the Board of Statutory Auditors of Bonomelli S.r.l., Enovetro S.p.A., Giostyle S.p.A., Lole S.p.A., Perialisi International S.A. and Perialisi Northern Europe B.V..

He is the Sole Statutory Auditor of Fineldo S.r.l. and of Gi.gar. S.r.l.. He is the auditor of Renografica S.r.l..

**Massimiliano Belli:** Born in Recanati (MC) on 22/08/1972, he is a Statutory Auditor of Elica S.p.A. Enrolled in the Bar Association of Ancona since 24/10/2000, he has been a Supreme Court Attorney since 28/11/2012.

Law Graduate from the LUISS "Guido Carli" University of Rome. Doctorate in Criminal Law and Procedure – University of Macerata.

Visiting Professor at the Specialisation School for Legal Professions - University of Bologna.

Member of the Criminal Chambers Governing Council of Ancona. Member of the Supreme Court of Cassation Research Institute of the Italian Union of Criminal Chambers. Member of the Scientific Committee of the Forensic School of the Bar Association Council of Ancona. Member of the Italian National Tax Association - Marche Section.

Speaker and lecturer in Masters programmes, conferences and seminars; author of publications primarily on corporate criminal law.

**Monica Nicolini:** born in Pesaro (PU) on 16/04/1963, Statutory Auditor of Elica S.p.A.. She set up Studio Legale Monica Nicolini in September 1999. Over ten years of specific experience in M&A's, Private Equity and Capital Markets for domestic and international groups (Middle East, India, Russia) in the steel, oil, pharmaceutical and construction sectors. Specialised experience of over twenty years in the credit sector with legal assistance appointments for leading banking groups. She consults for chairpersons and members of boards of statutory auditors of listed and non-listed companies. She holds a law degree from the University of Urbino. Acquired legal practice licence in 1993. Court of Cassation lawyer since 2005. Member of the Pesaro Bar Association since 29.10.1993. Lecturer in courses and seminars, speaker at conferences on corporate issues related to generational changeover and the tools to allocate and protect equity. Board member of the Ermanno Casoli Foundation and the Pesaro Nuovo Cinema Foundation (non-profit). Chair of the ABIO non-profit (hospital children's association) and member of the management board. Member of the Marisa Bellisario Foundation.

**Leandro Tiranti:** born in Sassoferrato (AN) on 04/05/1966, Alternate Auditor of Elica S.p.A., he has been enrolled at the Accountants Association of Ancona at No. 321, Section A since 1994; enrolled at the Technical Consultants register of the Court of Ancona; enrolled in the Auditors' Register at No. 72,312 as per Decree of the director general of civil affairs and professions of May 26, 1999, published in the Official Gazette 4a, special series No. 45 of June 8, 1999. He is the Chairman of the Board of Statutory Auditors of V.I.C. S.p.A., Ikonic S.r.l., Ov S.p.A., Tre Pini S.p.a. and F.I.D.E.A. S.p.A.; he is a Statutory Auditor with Fintrack S.p.A., Air Force S.p.A. and Brefiocart S.r.l.; he is a Director of Fastnet S.p.A., Diatech Pharmacogenetics S.r.l. and Kastle S.r.l. and an Alternate Auditor with Nuova Sima S.r.l., Sima S.p.A., Togni S.p.A. and Centro Nazionale Servizi ai Professionisti S.p.A..

**Spaccapaniccia Serenella:** born in Montegiorgio (AP) on 04/04/1965, Alternate Auditor of Elica S.p.A.. Member of the Accountants Association of Ancona since 12/04/1994 at No. 308, as well as being on the Technical Consultants of the Civil and Criminal Court of Ancona roll since 1/01/1997. Enrolled in the Auditor's Register with Ministerial Decree of 26/05/1999, published in the Official Gazette No. 45 - IV special series of 8/06/1999 at No. 72269. She is an Alternate Auditor with Moncaro S.p.A., a standing member of the Board of Statutory Auditors at 8 Non-Profit Entities in the Marche Region; Sole Auditor on the Regional Professional Roll; Director of ODCEC (Accountants Association) of Ancona; Executive Director of the Non-Profit/Tertiary Sector Entities and Equal Opportunities Research Commissions at the ODCEC of Ancona; a Working Group member of the CNDCEC (National Accountants' Committee) on the Tertiary Sector; she is Vice Chairman of the Board of Directors of A.FO.PROF representing the ODCEC of the province of Ancona; member of the Consultation Committee of the Real Estate Market Research Institute at the Provincial Tax Agency of Ancona.

### **Board of Statutory Auditors activities in 2019 and in 2020 until the date of the present Report**

With regard to the activities carried out, the Board of Statutory Auditors met seventeen times in 2019, on February 12, February 14, February 22, March 4, March 7, March 11, March 18, May 15, July 6, July 8, July 17, July 30, September 26, September 30, October 15, October 31 and December 2, 2019, respectively. In 2020, the Board of Statutory Auditors met five times: on January 28, February 10, February 13, March 5 and March 12, 2020.

The activities of the Board of Statutory Auditors concerns, among others, in accordance with point 3.C.5. of the Self-Governance Code, the verification of the criteria and procedures adopted by the Board to evaluate the independence of its members. In the course of the above-stated verifications, the Board of Statutory Auditors did not record anomalies, as per the minutes drawn up of March 7, 2019, July 8, 2019, September 26, 2019, October 31, 2019 and March 12, 2020.

The Board of Statutory Auditors positively established the independence of its members in conformity with Article 8.C.1. of the Self-Governance Code at the meetings of March 4, 2019 and March 5, 2020.

On March 7, 2019 and March 12, 2020, the Board of Directors noted the self-assessment by the Board of Statutory Auditors of the independence of its members, as per Article 8.C.1. of the Self-Governance Code of listed companies. The self-assessment established: the appropriateness of the number of Board of Statutory Auditor members and its adequate composition in terms of professional profiles, expertise, standing and gender parity. It was also established that the members of the Board of Statutory Auditors can assign the time necessary to properly execute their office and have adequate resources for such. The number of positions held was lower than the maximum permitted by the applicable regulation.

The Board of Statutory Auditors finally established through the assessment made that the previously planned activities had been successfully executed until the date of this report.

The company announced the outcome of this communication to the market.

The Board has constantly monitored the independence of the Independent Audit Firm in carrying out its duties, verifying compliance with law and monitoring the other activities carried out apart from accounting control.

The Board of Statutory Auditors, in carrying out its duties, coordinated its activities with the Internal Audit department and the Control, Risks and Sustainability Committee through the exchange of information relating to their respective activities and through participation in the Control, Risks and Sustainability Committee meetings during the year. Therefore, the Board of Statutory Auditors attends also the meetings of the Appointments and Remuneration Committee.

The Board of Statutory Auditors notes that the company, having complied with the Self-Governance Code of Borsa Italiana S.p.A., provides that where a statutory auditor, on his/her own behalf or that of third parties, has an interest in a determined transaction of the Company, he/she must inform the other statutory auditors and the chairman of the Board, in a timely and comprehensive manner, regarding the nature, terms, origin and extent of his/her interest. In accordance with the Consob Regulation concerning transactions with “related parties” the members of the Board of Statutory Auditors drew up a document for the identification of related parties in accordance with Article 4, paragraph 4 of Consob Regulation, adopted with resolution No. 17221 of March 12, 2010 and No. 17389 of June 23, 2010.

The members of the Board of Statutory Auditors have adequate experience and knowledge of the sector in which the Company operates; however, in order to improve such knowledge, and of the corporate activities and performance, in addition to the regulatory framework, the Board of Statutory Auditors attends the meetings of the Board and of the Committees, in addition to, during its mandate, ad hoc meetings. In 2019, the Statutory Auditors, together with members of the Board of Directors, visited the company on several occasions.

The remuneration of the Statutory Auditors, as approved by the appointing Shareholders’ Meeting, is commiserate with the commitment required, in addition to the size and sector of the company.

In relation to the appointment of statutory auditors, reference is made to the subsequent section “Manner for electing Corporate Boards”.

#### **Diversity criteria and policies**

In accordance with Legislative Decree 254/2016 concerning the communication of non-financial disclosure, the company has adopted a “Diversity Policy” setting out the diversity criteria generally adopted by Elica with regards to the composition of the Corporate Boards, including: age, gender, training and professional development. The criteria set out in the policy take account of the provisions of the Self-Governance Code of Borsa Italiana S.p.A., with which the company complies and are utilised by the Board of Directors for the renewal of the Corporate Boards.

In implementing this policy, approved by the Board, on the proposal of the Appointments and Remuneration Policy, the company seeks to maintain on the management and control boards a range of professional profiles and experience in order to understand as best as possible the complexity of the international markets, the financial objectives of the company, in addition to the impact of activities carried out on the interests of the various stakeholders. In particular, in appointing the Control Board, the company seeks to ensure diversity in terms of age, gender and training and professional background.

In order to ensure that the interested parties are provided with the information concerning the criteria and diversity objectives pursued, in the Board of Directors report to the Shareholders’ Meeting, of April 27, 2018, for the renewal of the Board of Statutory Auditors, to which reference is made, the Board of Directors states its wish to see diversity on the Board of Statutory Auditors in terms of age, gender and training and professional background. During the Supervisory Board’s renewal, the slate composition submitted by the majority shareholder FAN S.r.l., took account of the diversity criteria issued by the Board in so far as it included candidates of different gender on a one to three ratio for statutory auditors and a one to two ratio for alternate auditors; it also included different profiles by professional experience and age.

#### **15. RELATIONS WITH SHAREHOLDERS, WITH BORSA ITALIANA AND WITH THE COMPETENT AUTHORITY**

In conformity with Article 9.C.1. of the Self-Governance Code, the Board of Directors, at the meeting of March 15, 2018, appointed Giulio Cocci (current Chief Financial Officer and Corporate Financial Reporting Manager) as responsible for investor relations (“Investor Relations Manager”). The Investor Relations Manager is assigned the duties of (i) fostering the Company relationships with the financial community; (ii) enabling continuous dialogue between the company and the stakeholders and in particular the

investors and shareholders; (iii) communicating to investors and the market the performance of the business and (iv) carrying out the operations and the duties relating to the Insider Register of the Company, in conformity with the “Regulation for the treatment of corporate information and the constitution of the Insider Register”. In support of the activity, Giulio Cocci makes use of the external company Lerxi Consulting.

In addition, in order to guarantee a more efficient flow of information with the relevant authorities and the market, the Board of Directors of the Company considered it proper that the Information Officer coincides with the role of the Investor Relations Manager and at the same meeting of March 15, 2018, conferred Giulio Cocci the appointment of Information Officer responsible for the relations with Borsa Italiana and Consob.

The role of deputy information officer continues to be held by Francesca Pisani, Legal & Corporate Affairs Supervisor of the Company, in office since November 11, 2010.

All of the documents relating to the Corporate Governance and the other information relating to the Company, which have significance for shareholders, may be consulted on the website <https://elica.com/corporation>.

### **Internal Dealing rules**

The company has adopted Internal Dealing conduct rules, updating them in accordance with the compliance required by EU Regulation No. 596/2014 and the relative enacting regulations. Finally, on March 12, 2020 it updated the rules in question, modifying the definition of “relevant executives” provided in Annex 1. The Regulation, promptly brought to the attention of the interested parties, was published on the website <https://elica.com/corporation> (Corporate Governance section).

## **16. SHAREHOLDERS’ MEETINGS**

The By-Laws of the Company do not provide for a method of functioning other than those as prescribed by law and regulations.<sup>24</sup>

Normally, all of the directors attend the Shareholders’ Meetings. Seven Directors out of the eight attended the April 18, 2019 Shareholders’ Meeting; the Chairman of the Appointments and Remuneration Committee was available to provide clarifications on the content of Sections 8 and 9 of the present Report, in addition to the content of the Remuneration Report, including, among other issues, a description of the duties carried out by the stated Committee.

All of the matters on the Agenda of the Shareholders’ Meeting were reported upon in the Directors’ Report to the Shareholders’ Meeting or in the documents filed, available to the Shareholders and published on the company website.

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All those who have sent the company the communication provided by the intermediary appointed by the end of the third market day preceding the date fixed for the Shareholders’ Meeting in first call or in single call, have the right to attend the shareholders’ meeting, or within a different time period established by existing regulations, as long as the communications are sent to the Company within the above-stated time periods, provided by the beginning of the business of the shareholders’ meeting.

Every shareholder may be represented by a third party conferring upon him proxy in accordance with law, the By-Laws and the Shareholders’ Meeting regulation.

The notification through electronic means of proxy to the Company by those with the right to vote may take place through sending an e-mail to the address indicated in the call notice.

The Shareholders’ Meeting of the Company on April 12, 2006 approved the Shareholders’ Meeting Regulation, proposed by the Board of Directors in accordance with article 9.C.3. of the Self-Governance Code, subsequently amended by the Shareholders’ Meeting of April 28, 2011 in order to guarantee the

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<sup>24</sup> The Shareholders’ Meeting assigned the Board the duties as per Article 19.2 of the By-laws, in accordance with the Article 2365 of the Civil Code.

proper carrying out of the shareholders' meetings as well as the rights of each shareholder to contribute to discussions on the matters on the agenda. The Regulation is published on the Company website <https://elica.com/corporation>, in the Corporate Governance section.

With particular regard to the means by which each shareholder may take the floor on the matters under discussion, the stated Shareholders' Meeting regulation provides that the Chairman, taking account of the subject and the importance of the individual matters on the Agenda, in addition to the number of requests for interventions, pre-establishes the duration of such interventions, usually as not less than 3 (three) minutes and not greater than 5 (five) minutes for each contribution. Those with the right to intervene, may do so upon each matter on the Agenda only once, except, at the discretion of the Chairman, in the case of a reply or a voting declaration.

The Board reported on the activities carried out and programmed in the Shareholders' Meetings and endeavoured to ensure shareholders have adequate information regarding the necessary elements so that they could take, in a knowledgeable manner, the decisions within the authority of a Shareholders' Meeting.

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In relation to the market capitalisation, the share price at January 2, 2019 was Euro 1,368 and at December 30, 2019 was Euro 3,060; the minimum price in 2019 was Euro 1,368, the maximum price in 2019 was Euro 3,430 and the average price was Euro 2,191. In 2019 Whirlpool EMEA Srl sold its equity investment in Elica to Tamburi Investment Partners S.p.A., which announced, pursuant to Art. 120 CFA, that it had exceeded the threshold of a 20% interest in Elica on November 26, 2019.

The Board of Directors, in the meetings of February 12, 2019 and February 13, 2020, noting the share price in the periods preceding the respective meetings and the entrance of the new minority shareholder, decided not to propose to the Shareholders' Meeting changes to the By-laws in relation to the percentages established for the exercise of the shares and of the protection of minority shareholders.

### **Appointment of the Corporate Boards**

According to the provisions of the current By-Laws, the appointment of the Board of Directors and the Board of Statutory Auditors is carried out through the voting of slates, in accordance respectively with articles 16 and 24 of the by-law. These articles were amended at the Shareholders' Meeting of April 24, 2013 in order to provide for a mechanism which ensures gender balance in accordance with current legislation.<sup>25</sup>

Only shareholders who individually or collectively hold at least 2.50%<sup>26</sup> of the share capital have the right to present slates or a differing minimum percentage provided for or allowed by regulations.

For the inclusion of the Directors to be elected, consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of the slates. All those entitled to vote shall vote for only one slate.

Directors must have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives.

Statutory Auditors must also have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives. In particular, in relation to the professionalism requirement covered by Article 1 of Justice Ministerial Decree of March 30, 2000, No. 162, the following fields are deemed to be closely related to the company's activities: that relating to commercial or tax law, the

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<sup>25</sup> For further information on the amendments to the By-laws, reference should be to the Directors' Report to the Shareholders' Meeting called for April 24, 2013, in relation to the By-law amendments, available on the Company website. The Company in addition has acknowledged Law No. 160 of December 27, 2019 (the "2020 Budget Act"), which entails amendments to Articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis of Legislative Decree No. 58/98 on gender balance within company bodies and requires that the Company's Board of Directors amend its By-laws accordingly before new company bodies take office. This process is planned to be completed at the shareholders' meeting for the approval of the financial statements at and for the year ending December 31, 2020.

<sup>26</sup> The percentage indicated coincides with the percentage holding established by Consob in accordance with Article 144-*quater* of the Issuers' Regulation.

economy and corporate finance, the manufacturing and design sector, as well as the activities listed in article 2 of the by-laws, to which reference should be made.

Except in the situation of ineligibility established by law, no person who covers offices of statutory auditor in five or more other companies listed on regulated markets may fulfil the role of statutory auditor and if nominated must vacate the office, with exclusion of the subsidiary companies as well as the parent companies and the companies controlled by such, or anyone who covers offices of direction and control in a number higher than that provided by law and the regulations in force.

The presentation of slates for the appointment of the Board of Directors will occur in the manner established by, and in compliance with, Article 16 of the By-laws, to which reference should be made.

The presentation of slates for the appointment of the Board of Statutory Auditors will occur in the manner established by, and in compliance with, Article 24 of the By-laws, to which reference should be made.

In relation to the appointment of the Board of Statutory Auditors, in the case in which twenty-five days prior to the Shareholders' Meeting only one slate is presented, or only slates related to it are presented, in accordance with Article 144 *sexies*, paragraph five of the Issuers' Regulations, slates may be presented up until the third subsequent day to this date or any other date stipulated by the applicable regulation. In this case, the percentage threshold established for the presentation of the slate is reduced by half (1.25% of the share capital).

The slates presented that do not comply in full with the By-laws shall be considered as not presented.

The Company assures that the shareholders are provided adequate information on the profile of the candidates for the offices of director and statutory auditor in the manner set out in the above stated articles to which reference is made.

With reference to the method of election of the Board of Directors through the "voting of slates", the By-Laws provide that:

a) from the slate which obtained the highest number of votes (hereafter the "Majority Slate") all of the members of the Board of Directors are elected except one, as established by the Shareholders' Meeting, according to the progressive order of the slate;

b) from the slate which obtained the second highest number of votes (hereafter the "Minority Slate"), which is not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, the first candidate listed is elected to the Board of Directors.

If, with the candidates elected through the manners stated above, an adequate number of independent directors is not elected, however not lower than the amount provided by law, or if the gender balance provisions have not been complied with (including the rounding upwards of the number of members of the Board of Directors in the case of the application of the gender balance quotas not resulting in a full number), the non-independent candidate of the most represented gender elected last on the progressive numbering of the Majority Slate will be replaced by the first independent candidate of the other gender, according to the respective progressive numbering, not elected on the same Majority Slate.

In the case in which the Majority Slate no longer presents non-elected candidates with the necessary requirements or in the case in which the Majority Slate does not contain a sufficient number of candidates to form the Board in accordance with that established by the Shareholders' Meeting, the meeting proceeds with their replacement/supplementation by statutory majority.

The candidate listed in first position on the Majority Slate is elected as Chairman of Board of Directors.

Should two or more slates receive the same number of votes, a second vote of the Shareholders' Meeting is taken, with only those tied taking part.

In the case in which only one slate is presented or voted upon, or where only one slate has received at least half of the required votes for presentation, all Directors will be elected from the slate, in compliance with the provisions concerning the composition of the Board of Directors.

Where no slate is presented, the Shareholders' Meeting votes by statutory majority, without following with the above stated procedure, however in such a manner that the applicable regulations concerning the composition of the Board of Directors are complied with.

In relation to the appointment of the Board of Statutory Auditors, considering also compliance with the applicable regulations concerning gender equality (including rounding up where necessary in relation to the underrepresented gender), the following is applied:

1) from the slate which obtained the highest number of votes in the shareholders' meeting (hereafter the "Majority Slate"), based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;

2) from the slate which obtained the second highest number of votes (hereafter the "Minority Slate") and which, in accordance with current regulations, was presented and voted upon by shareholders who are not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, based on the progressive order listed on the slate, one statutory auditor and one alternate auditor is elected.

The Chairman of the Board of Statutory Auditors shall be the first candidate on the Minority Slate.

In the case of a tie in the number of votes between two or more slates, the eldest candidates shall be deemed elected.

If voting does not result in compliance with the applicable legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the underrepresented gender), the elected Statutory Auditor candidate appearing last on the Majority Slate of the overrepresented gender is excluded and will be replaced by the next candidate from the same slate belonging to the other gender. In the case in which the Majority Slate no longer presents non-elected candidates with the necessary requirements, or in the case in which the Majority Slate does not contain a sufficient number of candidates to form the Board of Statutory Auditors, the Shareholders' Meeting proceeds with their replacement/supplementation by statutory majority.

In the case of the replacement of a Statutory Auditor, the alternate auditor from the same slate joins the Board, on condition that the applicable legal and regulatory provisions are complied with.

The previous provisions in relation to the election of statutory auditors are not applied to Shareholders' Meeting for which only one slate is presented or voted upon or in the shareholders' meetings which provides in accordance with law for the appointment of statutory auditors and/or alternate auditors necessary to complete the Board of Statutory Auditors following replacement or resignation. In this case, the Shareholders' Meeting votes by majority.

The By-Laws are available on the website <http://corporation.elica.com>, Corporate Governance section, that of Borsa Italiana S.p.A. and at the registered office.

## **17. FURTHER CORPORATE GOVERNANCE PRACTICES (as per article 123-bis, paragraph 2, letter a), CFA)**

With regards to additional corporate governance practices applied, the company, from the appointment of the new CEO in July 2019, redrew the managerial committee structure in order to improve the efficacy of disclosure and decision-making processes and assign greater responsibility to managers and collaborators according to the accountability principle.

On at least a monthly basis, the CEO chairs plenary meetings (Business Review) of one full working day, with the directly reporting managers and the general managers of the main subsidiaries, who have dedicated spaces to present the issues within their respective scopes. In accordance with the principle of accountability of the entire organisation, other managers and middle managers are involved with regards to specific issues. The main functions of the Business Review are to:

- make both tactical and strategic decisions concerning business and operating matters according to the decision-making powers assigned to the Committee;
- discuss any critical issues and problems related to the business or company management, including those resulting from Internal Audit reports, strengthening, where necessary, the content of the corrective actions indicated in the Audit Reports or participating in their definition;
- update Elica S.p.A. management on the state of the business and on Group financials (Finance Monthly Deck);
- update Elica S.p.A. management on the state of the main operations, projects in progress and upcoming initiatives within the company functions;
- submit for the approval of the CEO any ad hoc projects or other specific initiatives;
- discuss and analyse initiatives and projects to be proposed to the Board of Directors or to other corporate boards.

In addition, further meetings, called "Bi-weekly meetings", have been defined, at which the members of the Leadership Team participate in order to share the most important topics for each business area and make collective decisions regarding the related management or solution.

The C.E.O. then meets each member of the Leadership Team on a monthly basis, together with some of the main managers of its organization (Functional Meeting), so as to analyse the Function's Top Priorities and verify their action plan, evaluating any ongoing projects in addition to ordinary activities. The Chief Financial Officer also participates regularly at these meetings.

On the third working day of the month, the heads of the B2B and B2C (Monthly Sales Status) and Finance areas meet with the C.E.O. to verify the alignment of the set sales targets with the current situation and the update on the forecasts for the quarter.

Lastly, a Safety Committee was set up, consisting of the C.E.O., executive directors, the Prevention & Protection Manager (RSPP) and the Chief Legal Officer, which meets at least quarterly to discuss health and safety issues.

In addition, in order to optimise the governance of some important business processes, Elica has maintained the Management Operating System (M.O.S.) which provides for management based on tier meetings organised on different levels of detail according to the management involved, based on an escalation logic. These tier meetings govern information flows and establish independent decision-making power for each operating meeting regarding a process. All actors involved participate at one or more tier meetings concerning a specific process. The tier meeting approach has increased the level of responsibility taking and accountability, particularly at middle management level, which now has defined independent decision-making powers, particularly within specific processes such as those regarding product development.

Reference should be made in addition to previous sections of this report. In particular, sections "11.3 Organisational Model as per Legislative Decree 231/2001" and "11.6 Coordination of the parties involved in the internal control and risk management system".

## **18. CHANGES SUBSEQUENT TO THE YEAR-END.**

The text of the present report was supplemented, in the individual paragraphs, with the information concerning the changes between December 31, 2019 and March 12, 2020, date of its approval.

## **19. CONSIDERATIONS ON THE LETTER OF DECEMBER 19, 2019 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

During the board meetings of February 13, 2020 and March 12, 2020, the Board of Directors of the company took note of and assessed the letter of the Chairman of the Corporate Governance Committee dated December 19, 2019.

In reference to recommendation no. 1: **the Committee invites the Board of Directors to integrate the sustainability of company activity into the definition of remuneration strategies and policy, including on the basis of an analysis of the significance of the factors that may influence the generation of value in the long term.**

The Board acknowledged that the Company is continuing the process of integrating the sustainability of business activity into the formulation of its company strategies. The Board continues to promote increasing awareness of this subject with the goal of considering sustainability in all aspects of business and governance; it defers the assessment of the integration of the sustainability of business activity into the formulation of remuneration strategies and policy until a level of integration with company strategies has been achieved that makes it possible to identify predeterminable, objectively measurable remuneration targets.

**Recommendation no. 2: the Committee recommends that companies, including in the regulations for board proceedings, see to adequate management of the flow of information to the Board of Directors, ensuring that confidentiality needs are met without compromising the completeness, accessibility and timeliness of information.**

The Board acknowledged that – including for the above purposes – in 2019 Elica implemented Regulations for board proceedings governing the setting the calendar of annual meetings, information for the Board of Directors and minute-taking for meetings.

Barring exceptional cases requiring particular caution, Elica uses a limited access IT platform for the confidential sharing of documents subject to discussion at meetings of the Board and Committees. If the nature of the decisions to be taken and/or needs relating to the confidentiality, promptness or exceptional circumstances of the Board’s decision should entail limits on advance information, the Chairman of the Board of Directors ensures that it is possible to obtain further information regarding the subject-matter of the decision in the course of the Board meeting to permit full, proper evaluation of the facts presented for the Board’s consideration.

**Recommendation no. 3: the Committee invites the governing bodies to ensure a stricter application of the independence criteria defined by the Code and the control bodies to monitor the correct application of these criteria. In addition to reiterating the exceptional nature and necessary individual justification - i.e., relating to each director’s concrete situation - of exceptions to all independence criteria recommended by the Code, the Committee invites issuers to devote greater attention to assessing the significance of the relationships subject to assessment. To this end, the Committee invites the governing bodies to establish in advance the quantitative and/or qualitative criteria to be used to assess the significance of the relationships subject to examination. These criteria should concern the overall position, not limited to the merely economic benefit, of the director whose independence is being assessed, and should be appropriately and transparently disclosed to the market in the corporate governance report.**

The Board has acknowledged that, in the process of carrying out the assessments, it took account of the Self-Governance Code criteria, without identifying any grounds for waiving them. With regard to the possibility of setting quantitative and/or qualitative criteria to be used, on an *ex ante* basis, to assess the significance of the relationships being examined, while reserving the right to conduct additional assessments of the advisability of setting limits, the Board does not believe it to be advisable at this time to set *ex ante* quantitative and/or qualitative criteria to be used to assess the significance of the relationships being examined, but rather that it should continue to conduct a specific assessment of each case.

**Recommendation no. 4: in the light of the comparative analysis, the Committee recommends that governing bodies - and the related committees responsible for remuneration matters - verify that the structure of compensation paid to non-executive directors and members of the control body be adequate to the competency, professionalism and commitment required of their positions. To this end, valid support could be obtained by referring to common remuneration practices in the sectors of reference and at companies of similar size, possibly also including comparable international experience.**

Acknowledging this recommendation, the Board observes that the remuneration of non-executive directors and members of the control body in office had been determined by the Shareholders’ Meeting upon appointment, as proposed by the majority shareholder that had submitted the slates. Given the high degree of concentration that characterises Elica’s ownership, the Board believes it advisable to allow shareholders to retain the freedom to submit slates of candidates for the appointment of company bodies and to propose consequently the related remuneration, taking into consideration: (i) the professionalism, competence and commitment required of candidates, (ii) the responsibilities arising from acquisition of the role and (iii) the remuneration practices adopted by comparable companies. However, taking into account the recommendation of the Commission and considering that the mandate of the Board in office will conclude with the approval of the financial statements at December 31, 2020, the Board postpones the evaluation and, if necessary, the drawing up of proposals to the renewal of the Corporate Bodies.

Elica S.p.A.

The Chairman of the Board of Directors



TABLE 1 – INFORMATION ON THE SHARE CAPITAL  
Share Capital structure

	NO. OF SHARES	% SHARE CAPITAL	LISTED/NON-LISTED	RIGHTS & OBLIGATIONS
Ordinary shares	63,322,800	100%	Listed on the MTA Star	Voting rights at the Ordinary and Extraordinary Shareholders' Meeting, right to a dividend and repayment of capital in the case of liquidation
Shares with limited voting rights Of which Treasury Shares with no voting rights				

Significant holdings

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital	NOTE S
CASOLI FRANCESCO	FAN S.r.l.	52.809%	52.809%	*
CASOLI FRANCESCO	CASOLI FRANCESCO	0.252%	0.252%	*
TIP-Tamburi Investment Partners S.p.A.	TIP - TAMBURI INVESTMENT PARTNERS S.P.A.	20.150%	20.150%	*

\*Data updated on the basis of declarations presented to Consob and Internal Dealing declarations.

TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors

Name	Place and date of birth	Office	In office from <sup>27</sup>	No. other offices (i)	Exec.	Ind Cod. / Ind. CFA
Francesco Casoli	Senigallia (AN) 05/06/1961	Chairman of the Board of Directors	April 27, 2018	-	yes	no
Sacchetto Mauro	Vercelli 9/01/1959	Chief Executive Officer	July 8, 2019	-	yes	no
Tamburi Giovanni	21/04/1954	Director	September 26, 2019	17	no	no
Catania Cosimo (ii) (iii)	Elio Catania 05/06/1946	Director	April 27, 2018	1	no	yes/yes
Croff Davide (ii) (iii) <sup>28</sup>	Venice 01/10/1947	Director	April 27, 2018	3(*)	no	yes/yes
Poggiali Barbara (iii)	Milan 04/03/1963	Director	April 27, 2018	4	no	yes/yes
Cristina Finocchi Mahne (ii)	Trieste 01/07/1965	Director	April 27, 2018	3	no	yes/yes
Federica De Medici (iv) <sup>29</sup>	Pavia 24/08/1972	Director	April 27, 2018	-	no	yes/yes

(i) No. of offices held in other listed companies, including abroad, in financial, banking and insurance companies or of significant size. Those positions held in financial companies not registered on the list, as per Article 106 of Legislative Decree 385/93 – Banking Act, are excluded. For further information, reference should be made to the list at the section “Maximum number of offices held in other companies” and curricula of the directors.

(ii) Control, Risks and Sustainability Committee (CRSC)

(iii) Appointments and Remuneration Committee.

(iv) Lead Independent Director.

(\*) figure updated to March 2019, in addition to Genextra S.p.A.

<sup>27</sup> The figures refer to the most recent appointment. For years of service, reference should be made to the Directors CV's.

<sup>28</sup> Until February 11, 2020.

<sup>29</sup> Since March 12, 2020 member of the Appointments and Remuneration Committee and member of the Control, Risks and Sustainability Committee.

**Attendance of the Directors at Board meetings and at the Committees between 1/1/2019 to 31/12/2019**

Office	Name	B.o.D.	C.R.S.C. members		A.R.C members	
Chairman	Francesco Casoli	11/11				
Chief Executive Officer	Mauro Sacchetto (1)	7/7				
Director	Giovanni Tamburi (1)	2/3				
Director	Catania Elio Cosimo	8/11	X	6/6	X	7/7
Director	Croff Davide	10/11	X	6/6	X	7/7
Director	Poggiali Barbara	10/11			X	7/7
Director	Cristina Finocchi Mahne	10/11	X	6/6		
Director	De Medici Federica	11/11				

**DIRECTORS RESIGNING DURING THE YEAR**

Chief Executive Officer (2)	Antonio Recinella	5/5				
Director (3)	Gennaro Perialisi	6/8				

(1). This column indicates the attendance of the Director at the Board meetings: no. meetings attended/no. meetings could have attended as appointed during the period.

(2). In office until July 8, 2019.

(3). In office until September 26, 2019.

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

***Board of Statutory Auditors***

<i>Office</i>	<i>Members</i>	<i>Date of birth</i>	<i>Date of first appointment</i>	<i>In office from</i>	<i>In office until</i>	<i>Slate</i>	<i>Ind. Code</i>	<i>Attendance at Board meetings</i>	<i>No. other offices</i>
<b>Chairman</b>	FREZZOTTI GIOVANNI	1944	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	16/17	7
<b>Statutory Auditor</b>	BELLI MASSIMILIANO	1972	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	17/17	0
<b>Statutory Auditor</b>	NICOLINI MONICA	1963	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	16/17	0
<b>Alternate Auditor</b>	TIRANTI LEANDRO	1966	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	0/17	0
<b>Alternate Auditor</b>	SPACCAPANICCI A SERENELLA	1965	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	0/17	0

*Number of meetings held in the year: 17*

*Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 148 CFA): 2.5% of share capital.*

## ANNEX 1

### ***Description of the principal characteristics of the risk management and internal control system in relation to financial disclosure***

#### **Introduction**

Within the general process for the recording and analysis of Group risk areas, undertaken to structure an internal control system which allows for the best possible governance of company risks, a particular focus is placed on the internal control system on the financial disclosure process, which is not considered a separate component, but rather an integral part of Elica's overall internal control system. The above accounting-administrative control model comprises a set of procedures and internal instruments adopted to enable the reaching of the assurance, accuracy, reliability and timeliness of financial reporting objectives.

Employing a single and integrated approach the Company therefore considered it correct to base the guidelines for the design, implementation and maintenance of the Internal Control System on the best international practices, which currently stem from the study conducted by the Committee of Sponsoring Organizations of the Threadway Commission (CoSO Report). In addition to this, the development and implementation of the control procedures were conducted taking account of the Control Objectives for IT and related technology (COBIT Framework) and the Self-Governance Code of the Committee for Corporate Governance of Borsa Italiana S.p.A., of the Confindustria "Guidelines", of the "Ethics Code" and further regulations and rules in force, as well as national and international standards and guidelines concerning Internal Control Systems in general, and specifically concerning Financial Disclosure Control Systems.

With specific regard to the administrative-accounting processes, the Internal Control System, as described above, supports the basis of the declaration which the Executive Responsible for the Preparation of the Corporate Accounting Documents must issue in accordance with Article 154-*bis* of Legislative Decree 58/98.

The structuring and organisation of administrative-accounting processes, in continuous development, is focused on achieving maximum synergy between achieving the compliance objectives and the optimisation objectives, through actions focused on formalising the processes and their efficiency, the identification and the evaluation of risks and the design of mitigating controls according to a structured methodology, with an overall view to achieving maturation of the entire System, extendible to the Group in the medium term.

#### **Phases of risk management and internal control in place in relation to Financial Disclosure**

The System of Financial Disclosure Control of Elica is based on the phases described below:

*i) Identification of financial disclosure risks*

This activity concerns the definition of the Group companies and of the processes of the individual companies by which they evaluate the risks and administrative-accounting controls, adopting both quantitative parameters, defined according to the impact they have on the principal financial statements accounts, in addition to qualitative parameters. The scope analysis is periodically carried out by the Company to identify the need to make amendments or supplements.

*ii) Assessment of risks and identification of controls*

The administrative-accounting processes, identified as above, are documented through utilising structured instruments to improve operations, allowing analysis and maintenance and an exhaustive description of the risks and the controls in place.

The approach adopted takes into consideration the possible risk of failing to correctly represent operating events in the financial disclosure, designing and monitoring controls to guarantee the coverage of these risks, in addition to coordinating with the control mechanisms implemented for other components of the overall internal control system. In particular, the administrative-accounting processes include risks related to the non-achievement of the control objectives to ensure true and correct financial disclosure and to minimise the probability and impact of any occurrence. These objectives concern the financial statement affirmations (typically: existence and occurrence, completeness, rights and obligations, valuation and recording, presentation and disclosure) and other elements concerning the internal control environment of the organisation (such as, for example, compliance with authorisation limits, segregation of duties, controls on the physical security and the existence of assets, documentation and traceability of operations). The risk analysis related to financial disclosure, developed according to the guidelines and the scope defined by the Executive Officer, provides for periodic updating in order to identify the principal amendments made to the administrative-accounting processes with the natural development of the business and the organisation.

*iii) Evaluation of the control of identified risks*

On the basis of the results of the recording and assessment of financial disclosure process risks at an inherent level (i.e. independently of the existence of controls upon occurrence), the Company defines the structure and the means for execution of administrative-accounting controls considered adequate to guarantee the containment and mitigation of residual risks to an acceptable level.

The system of controls drawn up to guarantee their containment is subject to periodic monitoring in order to ensure that the risk coverage needs defined by the internal control system and the relative control structure are adequate, and also consistent following any changes to the business, the organisation or Group processes. A systematic verification on the effectiveness of the administrative-accounting controls is also set out, with specific tests in place to ascertain the correct execution by company functions of the established controls, in addition to the implementation of corrective measures.

**Roles and Functions involved**

The Risk and Control Management System, in relation to the Financial Disclosure of Elica is overseen by the Executive Responsible who draws up adequate administrative and accounting procedures for the preparation of the parent company and consolidated financial statements, in addition to all communications of a financial nature.

The Executive Responsible declares upon the adequacy and the effective application of these procedures with regard to the half-year and annual financial statements, both for the parent company and for the group.

In carrying out the duties assigned by the Board of Directors, the Executive Responsible:

- is supported by the corporate boards of the subsidiary legal entities which, on the occasion of the half-year and annual financial statements, declare the completeness and accuracy of the financial information provided by them;
- establishes a relationship of complete sharing and transparency with the Control, Risks and Sustainability Committee and the Board of Statutory Auditors sharing, at least half-yearly the evaluations on the activities carried out and the actions to be undertaken.