



**REPORT ON CORPORATE GOVERNANCE
AND OWNERSHIP STRUCTURE
OF EQUITA GROUP S.P.A.**

**DRAFTED IN ACCORDANCE WITH ARTICLE 123-BIS OF ITALIAN
LEGISLATIVE DECREE 24 FEBRUARY 1998, N.58**

Approved by the Board of Directors of the Company on March 13, 2019

This is a courtesy English translation of the Italian version. In case of any discrepancy between the English translation and the Italian version, the latter shall prevail.

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Introduction

As from October 23, 2018 (the "**Start Trading Date**"), the ordinary shares (the "**Shares**") of Equita Group S.p.A. ("**Equita Group**" or the "**Company**") have been admitted to trading on the Mercato Telematico Azionario ("**MTA**") organised and managed by Borsa Italiana, in the STAR segment.

This report on corporate governance and ownership structure (the "**Report**") has been prepared in accordance with the provisions of current regulations and the Corporate Governance Code, considering, with regard to the nature and content of the information, the "Format for the report on corporate governance and ownership structure" prepared by Borsa Italiana (Edition VIII, January 2019).

The Report was approved on March 13, 2019 by the Company's Board of Directors and is available on the Company's website (<https://www.equita.eu/en/the-equita-group/documents-and-procedures.html>).

Glossary

"**Articles of Association**" means the Articles of Association of Equita Group, as applied after the Start Trading Date, available on the website <https://www.equita.eu/static/upload/sta/statuto--vigente-star-1.pdf>;

"**Board of Directors**" means the Board of Directors of Equita Group;

"**Board of Statutory Auditors**" means the Board of Statutory Auditors of Equita Group;

"**Borsa Italiana**" means Borsa Italiana S.p.A.;

"**CONSOB**" means the National Commission for Companies and the Stock Exchange;

"**Meeting**" or "**Shareholders' Meeting**" means the Equita Group Shareholders Meeting;

"**Paragraph**" means each paragraph of the Report;

"**Report**" means the report on the corporate governance system of Equita Group, pursuant to art. 123-bis of Legislative Decree 24 February 1998, n.58;

"**Corporate Governance Code**" means the Corporate Governance Code of listed companies approved in July 2015 and last updated in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, ANIA, Assogestioni, Assonime and Confindustria (available at the page <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.html>)

"**Shareholders**" means the holders of the Shares);

"**Shareholders' Agreements**" means the First Shareholders' Agreement, the Second Shareholders' Agreement, the Third Shareholders' Agreement and the Fourth Shareholders' Agreement;

"**Shares**" means the ordinary shares of Equita Group;

"**SME**" means a small or medium-sized enterprise within the meaning and for the purposes of Article 1(1)(w-*quater*).1) of the TUF;

"**TUF**" means the Consolidated Law on Finance, Legislative Decree. 24 February 1998, n.58.

1. Issuer Profile

The Company is the head of a group (the "**Equita Group**") that offers a wide range of products, services and investment activities, characterised by a distinctive business model.

The Equita Group is an independent Italian institution with a consolidated presence on the capital markets through the business lines "Sales & Trading", "Proprietary Trading", "Investment Banking" and "Alternative Asset Management". The Research *Team* supports and completes the activities of the other business lines thanks to the wide research coverage of companies with financial instruments listed mainly on the Italian markets.

The Company is the parent company of the SIM group - "Equita Group", registered in the specific register of the Bank of Italy and subject to consolidated supervision pursuant to art. 12 of the TUF (Consolidated Law on Finance), and carries out management and coordination activities and issues instructions to the individual components of the Equita Group for the execution of instructions given by the Bank of Italy.

As indicated below, the Company is characterised by a significant participation of its management (represented by managers and employees) in the share capital of Equita Group. In particular, at the date of this Report, on the basis of the information available to the Company, management holds 59.7% of the voting rights exercisable at the Shareholders' Meeting. Shares held by management are subject to Lock-up agreements, with consequent alignment of *management* interests to those of the Equita Group.

Equita Group's corporate governance system, which adopts the traditional administration and control system, is characterised by the presence of the following corporate bodies:

- (i) the Board of Directors, which is responsible for managing the social enterprise;
- (ii) the Board of Statutory Auditors, in charge of supervising (i) the observance of the law and the Articles of Association and the respect of the principles of correct administration, (ii) the adequacy of the internal control system and of the administrative-accounting system, as well as the reliability of the latter in correctly representing management events, (iii) the concrete implementation of the rules of corporate governance envisaged by the Corporate Governance Code, (iv) the adequacy of provisions given to subsidiaries in relation to the notification obligations of privileged information, and (v) the financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, the statutory audit of the annual and consolidated accounts and the independence of the independent auditors;
- (iii) the Shareholders' Meeting, which is competent to resolve on matters reserved for it by law, regulations and the Articles of Association.

In accordance with articles 155 *et seq.* of the TUF, the auditing activity is entrusted to an auditing company registered in the register of auditors, appointed by the Shareholders' Meeting on the motivated proposal of the Board of Statutory Auditors.

Equita Group Shares are admitted to trading on the MTA - STAR segment.

Finally, it should be noted that Equita Group believes that it can be classified as an SME pursuant to Article 1(1)(w-*quater*).1. of TUF. In particular, at 31 December 2017, the Company's turnover and consolidated turnover were € 5,249,530 and € 59,397,436 respectively and, again at that date, the Company's capitalisation was € 152.9 million.

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2. Information on Ownership Structure

At the date of this Report, no party controls the Company pursuant to Article 93 of the TUF.

2.1. Share Capital Structure

As better illustrated in Table 1 (Information on ownership structure), at the date of this Report, the share capital of Equita Group, fully subscribed and paid-in, amounts to 11,376,344.50 Euros, divided into 50,000,000 ordinary shares with no par value.

All the shares, which are registered, grant the same rights both in terms of assets and administration as those provided for by law and the Company's Articles of Association, without prejudice to what is indicated in Paragraph 2.4 below of this Report.

2.2. Restrictions on the transfer of securities

On the date of this Report, there are no restrictions on the transfer of Shares in the Company.

For information on the Lock-up agreements undertaken by certain shareholders of the Company, reference should be made to Paragraph 2.7 below.

2.3. Significant shareholdings in the share capital

At the date of this Report, the Shareholders who hold, directly or indirectly, more than 5% of the share capital with voting rights in Equita Group, according to the information provided pursuant to Article 120 of the TUF, are listed in Table 1 (Information on ownership structure).

2.4. Securities conferring special rights

No securities with special rights of control have been issued.

Notwithstanding the general rule that each share shall be entitled to one vote, the Articles of Association of the Company provide that each Share shall be entitled to two votes in certain circumstances referred to in Article 6-bis of the Articles of Association.

The Board of Directors - and on its behalf the Chairman or the Chief Executive Officer, also with the aid of specially appointed auxiliaries - shall verify the conditions for the attribution of the increased vote, in compliance with current legislation and regulations, in accordance with the procedures described in the Articles of Association.

On 20 December 2018, Equita Group approved the rules for the increase in votes, which govern the procedures for requesting inclusion on the list for the attribution of the increased vote. This documentation is available on the Company's website (www.equita.eu, Corporate Governance section, Share Capital and Shareholders area - Increased vote).

2.5. Employee shareholding: mechanism for exercising voting rights

On the date of this Report, no employee shareholding system is envisaged.

For the sake of completeness, it should be noted that the composition of the share capital of Equita Group includes a significant shareholding by the Company's management team (represented by executives and employees). In particular, at the date of this Report, the Management holds 59.7% of the voting rights exercisable at the Shareholders' Meeting. Shares held by management are subject to Lock-up agreements, with a consequent alignment of management interests to those of the Equita Group.

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Furthermore, on October 31, 2017, the Ordinary Shareholders' Meeting of Equita Group resolved to authorise the Board of Directors to sell or in any case dispose of all the treasury shares in its portfolio, including in the context of any incentive transactions involving the assignment or disposal of treasury shares, such as, but not limited to, the use of any financial instruments that can be exchanged or converted into shares, stock option or stock grant plans and incentives for members of the company, employees or collaborators of Equita Group.

In addition, the Extraordinary Shareholders' Meeting of the Company held on April 16, 2018, in order to ensure a sufficient supply of shares for the implementation of incentive instruments aimed, on the one hand, at retaining and incentivising some Equita Group employees and, on the other hand, at attracting qualified personnel, approved the proposal to confer on the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the right to increase the share capital free of charge pursuant to art. 2349 of the Italian Civil Code, on one or more occasions, within 5 years from the date of the shareholders' meeting resolution, by issuing up to a maximum total number of 2.5 million shares, equal to 5% of the total number of shares outstanding at the date of the shareholders' meeting resolution, to be assigned to employees of the Company and/or its subsidiaries pursuant to art. 2359 of the Civil Code. At the date of this Report, the Company's Board of Directors has not exercised this power.

Finally, it should be noted that on March 13, 2019, the Board of Directors of Equita Group resolved to submit to the Shareholders' Meeting convened in a single call on 30 April 2019 the approval, pursuant to and for the purposes of Article 114-bis of the TUF, of a remuneration plan based on financial instruments. For further information on the remuneration policy and on the essential elements of this plan, reference should be made to the Remuneration Report published pursuant to Article 123-ter of the TUF on the Company's website (www.equita.eu/it/corporate-governance/documenti-e-procedure.html) and the Information Document on the Financial Instruments Plan published pursuant to Article 114-bis of the TUF on the Company's website (<https://www.equita.eu/it/corporate-governance/assemblee-degli-azionisti/index.html>).

2.6. Restrictions on voting rights

There are no restrictions on the exercise of voting rights.

2.7. Shareholder agreements

As of the date of this Report, four shareholders' agreements have been signed concerning shareholdings equal to or greater than the threshold indicated in article 120, paragraph 2, of the TUF ("**Shareholders' Agreements**").

First Shareholders' Agreement

On October 25, 2017, a shareholders' agreement was signed, the agreements of which are significant pursuant to Article 122, paragraph 1 and paragraph 5, letters a) and b) of the TUF (the "**First Shareholders' Agreement**").

The First Shareholders' Agreement provides as follows:

(i) Exercise of voting rights

a) each party to the First Shareholders' Agreement that indirectly holds shares of the Company subject to the First Shareholders' Agreement must be the only party entitled to participate and vote (i) in the shareholders' meeting of Equita Group, on behalf of the shareholder of Equita Group in which it holds shares in the First Shareholders' Agreement, and (ii) in the shareholders' meeting of the company in

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which it holds shares in the First Shareholders' Agreement with reference to resolutions concerning Equita Group;

b) the parties exercise their voting rights on the shares covered by the First Shareholders' Agreement during the shareholders' meetings, including the special meetings called pursuant to Article 2376 of the Italian Civil Code, in accordance with the will expressed in writing by the majority of the same in relation to certain decisions such as: (i) the approval of the financial statements, (ii) the appointment of the corporate management and control bodies, as well as (iii) extraordinary operations falling within the competence of the shareholders' meeting (such as, by way of example only and not limited to, capital operations, changes in the nature and/or characteristics of the shares, mergers and transformations).

(ii) Movement of shares and purchase option

each side: (i) may not make purchases or carry out other acts such as to give rise to an obligation to make a public offer; (ii) is the holder of an option to purchase (known as call option), exercisable in one or more solutions, for himself or for the person to be appointed - appointed by the majority of the parties not affected by the Adverse Event (as defined below) -, concerning the actions of the party that may be affected by permanent disability or death ("**Adverse Event**"), within a period of 3 (three) months from the written notice of the Adverse Event sent to each party not affected by that Adverse Event. The party exercising this option must declare, at the time of exercise, whether it also intends to exercise the purchase option due to the other parties who do not exercise their option right. The consideration for the shares subject to the option will be equal to the weighted average market price per share of the month prior to the date of exercise of the call option discounted by 10% (ten per cent).

(iii) Dissolution of the Shareholders' Agreement

The unilateral dissolution of the shareholders' agreement is also envisaged: (i) against Francesco Perilli or Andrea Vismara in the event of revocation without just cause, in whole or in part, or in the event of resignation for just cause from the positions held at the date of stipulation of the First Shareholders Agreement and/or corporate offices respectively conferred to one or the other; (ii) against one of the other parties (excluding Francesco Perilli and Andrea Vismara) in case of dismissal without just cause or without just subjective reason or in case of resignation for just cause of the same Party; (iii) against each party (without any distinction) if it is affected by an Adverse Event (or, if applicable, against their heirs), without prejudice to the call option.

If the First Shareholders' Agreement ceases to be effective for one party, it will remain valid and effective for the other parties.

(iv) Lock-Up

For the entire duration of the First Shareholders Agreement, the parties have also undertaken reciprocal *Lock-up agreements* concerning the shares and in particular have undertaken not to carry out transfer acts and/or devices by deed between living parties concerning the shares.

The First Shareholders Agreement became effective following the fulfilment of the condition precedent relating to the admission to trading of the ordinary shares of Equita Group on the AIM - Alternative Capital Market, which occurred on November 21, 2017, and will last until the approval of the financial statements for the year ended December 31, 2019.

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Second Shareholders' Agreement

On November 15, 2017, a shareholders' agreement was signed concerning the Shares purchased by Nicla S.r.l., whose agreements are significant pursuant to Article 122, paragraph 1 and paragraph 5, letter b) of the TUF (the "**Second Shareholders' Agreement**").

The Second Shareholders' Agreement provides that:

(i) Lock-ups and other negative obligations

In particular, under the Second Shareholders' Agreement, each shareholder who is a party to the said shareholders' agreement has undertaken to Equita Group a: (i) not to carry out transfer acts and/or devices by deed between living parties concerning the shares of the Second Shareholders Agreement; (ii) not to conclude any type of derivative contract, simple or complex, on the shares of the Second Shareholders Agreement, with any expiry date; (iii) not to carry out securities lending activities concerning the shares of the Second Shareholders Agreement; and (iv) not to purchase and/or in any case to carry out acts concerning the quantity of Equita Group shares or other securities, such as to create an obligation for all or part of the shareholders who are party to the Second Shareholders Agreement to promote a public offer..

(ii) *General provisions*

The Second Shareholders' Agreement will be terminated in respect of any shareholder who is a party to the Second Shareholders' Agreement and who may be affected by permanent disability or death.

It is expressly provided that the obligations assumed through the Second Shareholders' Agreement by each of the shareholders who are parties to the Second Shareholders' Agreement are not to be understood as replacing the other commitments assumed by them through other agreements and, in particular, those of the First Shareholders' Agreement, the Third Shareholders' Agreement and the Fourth Shareholders' Agreement (as defined below), including the terms of the lock-up and any other negative obligations provided for in the aforementioned agreements, if longer in duration than the Second Shareholders' Agreement.

The Second Shareholders Agreement became effective following the fulfilment of the condition precedent relating to the admission to trading of the ordinary shares of Equita Group on the AIM - Alternative Capital Market, which occurred on November 21, 2017. The Second Shareholders Agreement has a duration of 3 (three) years, from the admission of Equita Group shares to trading on regulated markets (i.e. expiring on October 19, 2021).

Third Shareholders' Agreement

On November 15, 2017, a shareholders' agreement was signed, the agreements of which are significant pursuant to Article 122, paragraphs 1 and 5, letter b), of the TUF (the "**Third Shareholders' Agreement**").

The Third Shareholders' Agreement provides that:

(i) Lock-ups and other negative obligations

In particular, the Third Shareholders' Agreement provides that each shareholder who is a party to the said shareholders' agreement undertakes to Equita Group a: (i) not to carry out transfer acts and/or devices by deed between living parties concerning the shares of the Third Shareholders Agreement; (ii) not to conclude any type of derivative contract, simple or complex, on the shares of the Third

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Shareholders Agreement, with any maturity; (iii) not to carry out securities lending activities concerning the shares of the Third Shareholders Agreement; (iv) not to conclude any transaction that would imply a bearish position, not even in summary form, on the shares of the Third Shareholders' Agreement; and (v) not to purchase and/or in any case carry out acts concerning quantities of shares of the Third Shareholders' Agreement or other securities, such as to be able to give rise to an obligation on the part or all of the shareholders who signed the Third Shareholders' Agreement to promote a public offer.

(ii) *General provisions*

The Third Shareholders' Agreement is to be terminated in respect of any party that may be affected by permanent illness or death.

It is expressly provided that the obligations assumed under the Third Shareholders Agreement by each of the shareholders who are parties to the Third Shareholders Agreement are not to be understood as replacing the First Shareholders Agreement, the Second Shareholders Agreement and the Fourth Shareholders Agreement (as defined below), including the terms of the lock-up and any other negative obligations provided for in the aforementioned agreements, if they are longer in duration than the Third Shareholders Agreement.

The Third Shareholders Agreement became effective following the fulfilment of the condition precedent relating to the admission to trading of Equita Group shares on the AIM - Alternative Capital Market, which occurred on November 21, 2017. The Third Shareholders Agreement has a duration of 2 (two) years starting from the date of admission of the Company's shares to the AIM (i.e. expiring on November 21, 2019).

Fourth Shareholders' Agreement

On November 15, 2017, a shareholders' agreement was signed, the agreements of which are significant pursuant to Article 122, paragraphs 1 and 5, letter c), of the TUF (the "**Fourth Shareholders' Agreement**").

The Fourth Shareholders' Agreement provides that:

(i) *Transfer of shares*

The Fourth Shareholders' Agreement provides, in particular, that a shareholder who is a party to the Fourth Shareholders' Agreement and intends to transfer the shares of the Fourth Shareholders' Agreement held by him (the "**Offeror**") by deed between living parties, must first offer them in pre-emption to all the other parties to the Fourth Shareholders' Agreement in accordance with a specific procedure. Moreover, the obligations arising from the First Shareholders' Agreement, the Second Shareholders' Agreement and the Third Shareholders' Agreement, including the *lock-up* terms and any other commitments provided for in the aforementioned agreements, if longer in duration than the Fourth Shareholders' Agreement, are expressly reserved; (iii) the prohibitions to carry out transactions on the shares of the Fourth Shareholders' Agreement during the period of 30 calendar days prior to the publication of the half-yearly financial report and the annual financial report as well as the additional periodic financial reports that Equita Group is required to publish, according to the rules of Borsa Italiana or the rules in force from time to time (known as . closed periods).

In particular, the procedure provides that the Offeror must communicate its irrevocable decision to sell (the "**Sales Event**") to the President of the pact - at the date of signing the Fourth Shareholders' Agreement identified in the person of Dr. Edoardo Guffanti - (the "**President of the Pact**"). The

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sales events will be collected exclusively on a monthly basis and may be communicated no later than 18:00 on the last working day of the month ("**Exhibition Date**").

Having collected the sales events in accordance with the procedure, the President of the Covenant: (i) where the total number of shares of the Fourth Shareholders' Agreement that are the subject of the Sale Events is equal to or greater than 300.000 (three hundred thousand/00) shares ("**Relevant Threshold**"), will communicate this, without indicating the number of shares of the Fourth Shareholders Agreement offered for sale but specifying their type, to all the other shareholders who are parties to the Fourth Shareholders Agreement ("**Beneficiaries**"), within a maximum of 2 working days, starting from the Date of the Event, without also disclosing the names of the Bidders; (ii) if the total number of shares of the Fourth Shareholders Agreement that are the subject of the Sale Events is less than the Relevant Threshold, it will directly activate, for the entire number of shares of the Fourth Shareholders Agreement, the Market Execution procedure, with the exclusion of the pre-emption procedure. Within 2 working days of the communication referred to in point (i) above, each Beneficiary may exercise the right of pre-emption for the purchase of the shares of the Fourth Shareholders' Agreement that are the subject of the Sale Events, notifying the President of the Agreement of the maximum number of Shares of the Fourth Shareholders' Agreement that he is willing to purchase ("**Purchase Event**").

Where the shares of the Fourth Shareholders' Agreement which are the subject of the Sale and Purchase Agreements coincide, the Chairman of the Agreement shall notify the parties to the Fourth Shareholders' Agreement concerned and the same shares shall be transferred to the Beneficiaries, in accordance with the procedures and formalities indicated by the Chairman of the Agreement in the communication referred to above, at the "official price" on the Date of the Exhibition (as shown on the website of Borsa Italiana), less 0.50% (zero point fifty percent) (the "**Price**").

The shareholders adhering to the Fourth Shareholders' Agreement concerned undertake to start the formalities indicated by the Chairman of the Agreement within 5 working days of receipt of the latter's notice, in order to carry out the transfer of the shares of the Fourth Shareholders' Agreement concerned within the next Exhibition Date or on a different date agreed in writing between the same adherents of the Agreement concerned and communicated to the Chairman of the Agreement. The price due following the exercise of the pre-emption right is paid, without interest, by bank transfer at the same time as the transfer of ownership of the shares of the Fourth Shareholders Agreement concerned; all any expenses necessary to complete the transfer will be borne by the Offeror.

If the shares of the Fourth Shareholders' Agreement subject to the Purchase Manifestations exceed the shares of the Fourth Shareholders' Agreement subject to the Sale Manifestations, the Chairman of the Shareholders' Agreement shall distribute the same among the Beneficiaries, in proportion to those requested by the Purchase Manifestation, with the same methods of determining and paying the price, as well as of transfer.

Where the shares of the Fourth Shareholders' Agreement that are the subject of the Sale Manifestations exceed the shares of the Fourth Shareholders' Agreement that are the subject of the Purchase Manifestations: (i) the shares of the Fourth Shareholders Agreement requested will be transferred in the manner described above for the determination and payment of the price, as well as for the transfer; (ii) the shares of the Fourth Shareholders Agreement that are not optioned will be sold in accordance with the procedure for Execution on the Market.

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In the event that the Beneficiaries fail to exercise their pre-emptive right, or are unable to exercise it, as communicated to the shareholders who have signed the Agreement by the Chairman of the Fourth Shareholders' Agreement, and without prejudice to the Penalties (as defined below), the Offeror must in any case proceed with the transfer of the shares of the Fourth Shareholders' Agreement through the execution procedure on the market which provides that the intermediary negotiator in charge of managing this procedure, is designated, from time to time, to carry out, by agreement of the majority of the shareholders adhering to the First Shareholders' Agreement and communicated to the shareholders of the Fourth Shareholders' Agreement, the transactions for the purchase and sale of the shares on the reference market of Equita Group, in execution of the orders received from the Chairman of the Agreement, in a manner "taking care", and within the terms provided for by its *Execution Policy*. To this end, each shareholder party to the Fourth Shareholders' Agreement grants a mandate to the Chairman of the Agreement to transmit to the negotiator the sales order on behalf of the Offeror(s) concerned.

(ii) Other obligations

In addition, the Fourth Shareholders' Agreement provides for the following additional commitments on the part of each of the shareholders who are parties to the Fourth Shareholders' Agreement, and in particular:

- (ii) to confer the irrevocable mandate of custodian bank for the service of administration and custody of the shares of the Fourth Shareholders' Agreement ("**Custodian Bank**") to Credem, or to a different intermediary appointed by agreement of the majority of the shareholders adhering to the First Shareholders' Agreement and communicated to the shareholders of the Fourth Shareholders' Agreement by the Chairman of the Agreement; (iii) to confer - as of now - an irrevocable mandate to the broker-dealer who will be appointed from time to time on the agreement of the majority of shareholders who are parties to the First Shareholders' Agreement and notified to the shareholders of the Fourth Shareholders' Agreement by the Chairman of the Agreement, for the purpose of carrying out the execution procedure on the market;
- until it holds shares, even partially, in the Fourth Shareholders Agreement, either directly or indirectly, in order: (i) not to enter into any type of derivative contract, simple or complex, on the shares of the Fourth Shareholders Agreement, with any maturity; (ii) not to engage in securities lending on the shares of the Fourth Shareholders Agreement; (iii) not to enter into any transaction that would imply a bearish position, even in summary form, on the shares of the Fourth Shareholders Agreement.

Finally, the Fourth Shareholders' Agreement contains an acknowledgement that, also taking into account the content of the Fourth Shareholders' Agreement itself, shareholders who have signed the agreement other than the shareholders who have signed the First Shareholders' Agreement will not be able to validly submit lists. It is understood among the shareholders who are parties to the Pact that: (i) unless otherwise agreed in writing with Equita Group, the shares of the Fourth Shareholders Agreement that each shareholder adhering to the Fourth Shareholders Agreement comes to hold after the date of commencement of trading on AIM and until the expiration of the Fourth Shareholders Agreement, as a result of (a) assignment or offer by Equita Group under employee incentive plans (such as, by way of example and not limited to, stock option, stock grant and stock purchase plans), and/or (b) attribution of a voting bonus, are made to the Fourth

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Shareholders Agreement, with the effect that the provisions contained therein automatically extend to such shares of the Fourth Shareholders Agreement, and this in compliance with the applicable Bank of Italy regulations on remuneration and incentives; (ii) the shares of the Fourth Shareholders Agreement purchased as a result of the pre-emption procedure are excluded from the Fourth Shareholders Agreement.

(iii) Penalty

The Fourth Shareholders' Agreement provides that a shareholder who is a party to the agreement and who fails to meet one of the obligations set forth in the Fourth Shareholders' Agreement must pay the following amounts as a conventional penalty, without prejudice to compensation for additional damages (the "**Penalties**"): (i) in the event of a transfer of the shares of the Fourth Shareholders Agreement carried out in violation of the procedure described above, the sum of 30% of the counter-value of the shares of the Fourth Shareholders Agreement involved in the transfer, whichever is higher between (a) the Price, calculated at the end of the last working day of the month in which the transfer took place, and (b) the total amount agreed upon in the said transfer; (ii) in the event of a breach of one of the obligations of the Fourth Shareholders Agreement, the sum of 30% of the Price.

The Fourth Shareholders' Agreement entered into force subject to the entry into force of the Third Shareholders' Agreement, has a duration of 3 (three) years, starting from the original or anticipated expiry date of the obligations not to transfer the shares assumed by each party with respect to Equita Group pursuant to the Third Shareholders' Agreement and may be renewed upon expiry by express written agreement. Except for the hypothesis of early expiry of the transfer commitments under the Third Shareholders Agreement, the Fourth Shareholders Agreement will expire on November 21, 2022.

For further information on Shareholders' Agreements, please refer to www.consob.it, section Public Area - Subjects and Markets - Listed Companies or, alternatively, www.equita.eu, section Corporate Governance - Shareholders' Agreements.

2.8. Change of control clauses and statutory provisions on takeover bids

On July 20, 2017, Equita Group and Private Equity Partners S.p.A. signed a joint venture agreement, as amended by the *addendum* signed on September 7, 2018 (the "**Joint Venture Agreement**"), for the purpose of promoting, on a non-exclusive and non-priority basis, possible joint initiatives and projects between the parties involving the provision of risk capital to industrial entities (known as *private equity*).

The Joint Venture Agreement has a duration of 5 (five) years from the date of signing, with the right for both parties to withdraw from it if there is a change of control event in the other. For the sake of completeness, it should be noted that the start of trading of the Shares on the MTA does not constitute a change of control event.

With regard to takeover bids ("**Takeover Bids**"), Article 7, paragraph 1, of the Company's Articles of Association provides that the threshold referred to in Article 106, paragraph 1, of the TUF, relevant for the promotion of mandatory takeover bids on the Company's securities, is set at 25%, pursuant to and for the purposes of Article 106, paragraph 1-ter, of the TUF, in the presence of the conditions established by the laws and regulations in force.

The Board of Directors and its delegated bodies, if any, without the need for authorisation from the shareholders' meeting, have the power to:

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- (i) carry out acts or operations that may counteract the achievement of the objectives of a public purchase or exchange offer, from the communication referred to in article 102, paragraph 1 of the TUF until the closing of the offer or until the offer expires; and
- (ii) implement decisions taken before the beginning of the period referred to in point (a) above, which have not yet been implemented in full or in part, which do not form part of the normal course of the company's business and the implementation of which may conflict with the achievement of the objectives of the offer,

as an exception to the provisions of Article 104 of the TUF (known as the passivity rule).

The Articles of Association do not contain provisions that provide for the application of the neutralisation rules provided for by Article 104-bis of the TUF.

2.9. Powers to increase share capital and authorisations to purchase treasury shares

On April 16, 2018, the Shareholders' Meeting granted the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power to increase the share capital free of charge pursuant to Article 2349 of the Italian Civil Code, on one or more occasions by April 16, 2023 up to a maximum of 2,500,000 Shares, in any case not exceeding 5% of the total number of shares outstanding at the date of the said shareholders' meeting, by allocating a corresponding amount from the "*Reserve for the issue of shares pursuant to art. 2349 of the Italian Civil Code*" set up for this purpose, with the issue of shares to be assigned to employees of the Company and/or its subsidiaries pursuant to art. 2359 of the Italian Civil Code.

On October 31, 2017, the Shareholders' Meeting attributed to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, subject to the commencement of trading of the shares on the multilateral trading facility called AIM Italia, the right to increase the share capital in one or more tranches up to a total maximum amount of 10% of the share capital at the date of commencement of trading, within a maximum term of 5 years from October 31, 2017, also excluding pre-emptive rights in the cases provided for by law (the "**Proxy 2017**").

On April 16, 2018, the Shareholders' Meeting resolved to (i) revoke the 2017 proxy; (ii) grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power to increase the share capital on one or more occasions by April 16, 2023 by issuing a number of Shares not exceeding 10% of the total number of Shares outstanding at the date of that meeting and in any case for a nominal amount not exceeding a total of Euro 10,000,000.00, with the exclusion of the option right pursuant to Article 2441, paragraph 4, second sentence, of the Italian Civil Code, all subject to the commencement of trading of the Company's Shares on the MTA.

On October 31, 2017, the ordinary shareholders' meeting of the Company resolved to authorise the Board of Directors to sell or in any case dispose of all treasury shares in portfolio, including in the context of any incentive transactions involving the assignment or disposal of treasury shares, such as, but not limited to, the use of any financial instruments that can be exchanged or converted into shares, stock option or stock grant plans and incentives for members of the company, employees or collaborators of Equita Group.

At the end of the year ended December 31, 2018, Equita Group held 4,548,025 treasury shares.

(Courtesy Translation)

2.10. Management and coordination activities

As the parent company of the SIM- Equita Group, Equita Group carries out management and coordination activities and issues instructions to the individual components of the Equita Group for the execution of instructions given by the Bank of Italy.

* * *

The information required by article 123-ter of the TUF is contained in the Remuneration Report published pursuant to article 123-ter of the TUF on the Company's website (www.equita.eu/it/corporate-governance/documenti-e-procedure.html).

The information required pursuant to Article 123-bis, paragraph 1, letter l) is illustrated in Paragraph 4.1 of the Report.

3. Compliance

This Report has also been prepared taking into account the indications set out in the "Format for the Report on Corporate Governance and Ownership Structure" prepared by Borsa Italiana (8th Edition, January 2019).

The Company adheres to the Corporate Governance Code, which is available to the public on the website of the Corporate Governance Committee

(<https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>).

The Company is not subject to provisions of law that affect its corporate governance structure other than those of Italy and the European Union.

4. Board of Directors

4.1. Appointment and replacement

Pursuant to Article 11 of the Articles of Association, the Company is managed by a Board of Directors composed of 7 (seven) to 11 (eleven) members. All directors must meet the requirements of eligibility, professionalism and honourableness set forth in the applicable laws and regulations. At least 2 (two) directors in the case of a board of 7 (seven) or 8 (eight) members, or 3 (three) directors in the case of a board of 9 (nine) to 11 (eleven) members, must also meet the independence requirements set forth in Article 148, Section 3, of the Consolidated Finance Law, as referred to in Article 147-ter, Section 4, of the Consolidated Finance Law. It should also be noted that, in addition to the requirements of professionalism, integrity and independence provided for by law, the Articles of Association and the Code, the Directors are also subject to the so-called interlocking prohibitions, in accordance with the provisions of Article 36 of Legislative Decree no. 201/2011, converted into law with amendments by Law no. 214 of 22/12/2011, containing provisions regarding the protection of competition and personal cross-holdings in the credit, insurance and financial markets.

The Statutory and Alternate Members of the Board of Auditors shall be appointed on the basis of lists submitted by authorised persons in which the candidates are to be listed by means of a progressive number.

(Courtesy Translation)

The lists signed by those who submit them must contain a number of candidates not exceeding the maximum number of members to be elected and must be deposited at the registered office of the company, within the terms and according to the procedures provided for by applicable laws and regulations.

The lists must contain, depending on the number of directors pursuant to Article 11.2 of the Articles of Association, at least 2 (two) or 3 (three) candidates who meet the independence requirements provided for by the applicable laws and regulations and by the Corporate Governance Code for listed companies in force from time to time. The lists must also include a number of candidates of a different gender so as to ensure that the composition of the Board of Directors complies with the provisions of the law and applicable regulations on gender balance (male and female), it being understood that if the application of the gender distribution criterion does not result in an entire number of directors of the less represented gender, this must be rounded up to the next higher unit. Together with and at the same time as each list, the curriculum vitae containing the personal and professional characteristics of the individual candidates with any indication of their suitability to qualify as independent shall be deposited, together with the declarations by which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no grounds for incompatibility or ineligibility, as well as the existence of the requirements prescribed by the Articles of Association and by the applicable laws and regulations. A shareholder may not present or exercise his voting rights for more than one list, even through a third party or trust company.

The lists may be presented by the outgoing Board of Directors or by those shareholders who, alone or together with other shareholders, own at least 2.5% (two point five percent) of the share capital with voting rights, to be proved by filing appropriate certification, or who represent a different percentage established by mandatory legal or regulatory provisions. The certification issued by the intermediary proving the ownership of this participation necessary for the presentation of the list must be produced at the time of filing the list itself.

Lists submitted without complying with the above procedures shall be considered as not submitted.

Upon the election of the Board, the following process is followed:

- (a) all the members, except one, of which 2 (two) are independent if the board is composed of 7 (seven) or 8 (eight) members, or 3 (three) are independent if the board is composed of 9 (nine) to 11 (eleven) members, are taken from the list that obtained the highest number of votes, on the basis of the progressive order in which they were listed;
- (b) the other member is drawn from the list that has received the second highest number of votes and is not connected in any way, even indirectly, with the shareholders who submitted or voted for the list that received the highest number of votes, on the basis of the progressive order indicated in the list.

In the event of a tie between several lists, a ballot shall be held. If only one list is submitted, the Board of Directors shall be drawn entirely from that list, if it obtains the majority required by law for the ordinary shareholders' meeting. For the appointment of those directors who, for whatever reason, could not be elected by the procedure provided for in the preceding paragraphs or in the event that no lists are presented, the shareholders' meeting shall resolve in accordance with the majorities required by law, without prejudice to compliance with the requirements established by the applicable legal and regulatory provisions and by the Articles of Association concerning the composition of the Board of Directors and, in particular, the balance between genders.

(Courtesy Translation)

If, as a result of the voting, the Board of Directors is not composed of the minimum number of directors of the less represented gender established by the applicable laws and regulations, the candidate of the more represented gender elected as last in progressive order from the list that obtained the highest number of votes shall be replaced by the first candidate in progressive order from the same list belonging to the less represented gender not elected in accordance with the above; if in this way the minimum number of directors of the less represented gender is not reached, the aforesaid replacement shall also apply to the candidates of the list that obtained the second highest number of votes.

Finally, if the above procedures do not ensure the appointment of a number of directors who meet the requirements of independence and/or are of the lesser represented gender equal to the minimum number established by the applicable laws and regulations, replacement will take place by resolution passed by the shareholders' meeting by relative majority, subject to the submission of candidates who meet the necessary requirements.

If one or more directors leave office during the year, the others shall replace them by a resolution approved by the Board of Statutory Auditors, co-opting, where possible, the first person on the same list to which the director leaving office belonged, if available and provided that they meet the requirements of the applicable laws and regulations for taking office and the majority is always made up of directors appointed by the shareholders' meeting. The directors thus appointed remain in office until the next Shareholders' Meeting, which appoints the director with the majorities required by law.

If the majority of the directors appointed by the shareholders' meeting should cease to be in office, those still in office must call a shareholders' meeting to replace the missing directors. If all the directors cease to hold office, the shareholders' meeting for the appointment of the entire Board of Directors must be convened urgently by the Board of Statutory Auditors, which may in the meantime carry out ordinary business activities. The disappearance of the existence of the legal requirements constitutes a cause for the forfeiture of the director. The termination of the directors due to expiry of the term takes effect from the moment in which the new administrative body has been reconstituted.

In any case, the list voting procedure applies only in the event of renewal of the entire Board of Directors.

* * *

The Board of Directors, taking into account the structure and size of the Company, also in view of its ownership structure, as well as the experience and skills of the current executive directors and the system of delegation of power implemented within the Board of Directors, has decided at the date of this Report not to adopt a plan for the succession of executive directors.

If the shareholders' meeting fails to do so, the Board elects from among its members, for the same duration as the Board of Directors, the Chairperson and possibly one or more Vice-Chairpersons (in this regard, see Paragraph 4.4. of this Report).

The Chairperson of the Board of Directors, the Vice-Chairpersons and the Managing Directors are jointly and severally responsible for representing the Company in dealings with third parties and in legal proceedings (with the right to appoint attorneys and lawyers in case of judicial proceedings). Representation shall also be the responsibility of the Directors-General, directly appointed Managing Executives, and Agents within the limits of the powers conferred on them.

(Courtesy Translation)

4.2. Composition

The Board of Directors in office at the date of this Report was appointed by the Ordinary Shareholders' Meeting of 15 June 2017 for a period of three financial years until approval of the financial statements at 31 December 2019 and is composed of the following members: Francesco Perilli, Thierry Portè, Andrea Vismara, Stefano Lustig, Sara Biglieri, Michela Zeme and Massimo Ferrari.

In accordance with the Articles of Association, the Shareholders' Meeting of 15 June 2017 appointed Francesco Perilli as Chairperson of the Board of Directors, and the Board of Directors of 3 July 2017 appointed Thierry Portè as Vice-Chairperson of the Board of Directors and Andrea Vismara as Chief Executive Officer.

The majority of the Board of Directors is composed of non-executive members (in particular: five non-executive members out of a total of seven members). Three of the five non-executive members also meet the independence requirements set out in the TUF (these are the directors Michela Zeme, Massimo Ferrari and Thierry Portè). The Directors Michela Zeme and Massimo Ferrari also meet the independence requirements set out in the Corporate Governance Code.

The following is a summary of the professional profile of the members of the new Board of Directors.

Francesco Perilli - Born in Milan on December 14, 1960, after two years as a Navy Officer in Costa Armatori, he graduated in Economics with honors at the Luigi Bocconi University in Milan and specialized, completing his academic training, at New York University. Hired at Euromobiliare S.p.A. (later to become Equita SIM) in February 1985 he personally followed the transformation of the company into a securities brokerage firm. In 1989, he became the chief advisor on equity investments. In 1992, following the expansion of Equita SIM's activities, he operated in the *Equity Capital Market* (ECM) and *advisory* businesses. In 1994 he was appointed Member of the ASSOSIM management committee; from April 1996 to December 1997 he sat in the management committee first, then – from April 2017 on – of the Board of Directors of Borsa Italiana. From 1992 to 2017 he was General Manager (and since 1994 also Managing Director) of Equita SIM.

Thierry Portè - Born in New York on 28 June 1957, he is currently *managing director* of *private equity house* J.C. Flowers & Co. LLC, as well as numerous other positions in companies operating in the insurance, banking and financial sectors. Thierry Portè graduated with honors in Economics from Harvard University and then obtained his Master's Degree in Business Administration (MBA) from Harvard Business School. He held a number of leading academic and institutional positions, including serving as President of the Harvard Club of Japan (until 2008), Advisor to the Rector of the Harvard Business School and a member of the Harvard Global Advisory Council. Upon appointment by the President of the United States, he also served as President of the Japan-US Friendship Commission and the US-Japan Conference on Cultural and Educational Interchange.

Andrea Vismara - Born in Milan on 29 June 1965, he currently holds the position of Managing Director of Equita Group and Equita SIM, where he has been responsible for *investment banking* since 2008. He has been a member of the Board of Directors of Equita SIM since 2009 and of the *advisory board* of Borsa Italiana. He graduated *magna cum laude* in *business administration* from the Bocconi University of Milan, having attended specialization courses at New York University. He began his career in London, at Goldman Sachs International, where between July 1990 and May 1995 he built up his expertise within the Corporate Finance team first, then in the *debt capital markets* department with responsibility for bond issues on behalf of Italian clients. Between July 1995 and January 2006 he divided his time between the Milan and London offices of Barclays, de Zoete Wedd (later acquired by Credit Suisse) and Credit Suisse, first as a member of the M&A team, then as head of *Equity Capital Markets* activities for the Italian and Southern European markets. Subsequently, he held the position of *chief operating officer* in 2002-2003 and the role of legal representative

(Courtesy Translation)

of CSFB Italian Branch in 2004. He was then responsible for the management of customer relations for the entire range of *investment banking* products and fulfilment of the tasks conferred. Between April 2006 and December 2007, he worked as a freelance consultant for large industrial groups.

Stefano Lustig - Born in Milan on 11 March 1965, he graduated in Economics and Business from Bocconi University in Milan in 1990. From 1991 to 1992 he served as a financial analyst at Actinvest Ltd London. In 1992 he joined the Group developing his professional career as a financial analyst from 1992 to 1996, as co-head of the Studies Office from 1996 to 2017, until his current role as co-head of the *Alternative Asset Management* business line from August 2017.

Sara Biglieri - Born in Pavia on 11 September 1967, she graduated in Law with honors from the University of Pavia. Subsequently, she began to collaborate with Italian and foreign law firms, developing a consolidated experience in the field of commercial and corporate law. She currently works as a partner at the law firm Dentons. Sara Biglieri has served throughout her career as chair or member of supervisory boards at Falck S.p.A., Johnson & Johnson S.p.A. and the Johnson & Johnson Foundation. She has also published several articles in Italian and international trade magazines.

Michela Zeme - Born in Mede (PV) on January 2, 1969, after graduating in Business Administration from the Bocconi University of Milan during the academic year 1993/1994, she qualified as a chartered accountant and statutory auditor in 1999. Michela Zeme has gained significant professional experience in the tax and corporate field, working with leading firms and providing advice to numerous companies (including listed companies) and Italian groups operating in real estate, telecommunications, industrial, financial, insurance and banking. She has held numerous institutional positions in leading Italian companies and financial institutions.

Massimo Ferrari - Born in Rome on 31 August 1961, after graduating in Economics from LUISS Guido Carli University in Rome, he became Chief Executive Officer, General Manager and Investment Manager of Capitalia Asset Management SGR, General Manager and member of various internal committees of Fineco Group and senior vice-president and secretary of the Committee for Internal Controls and Risks of UniCredit Group. He was also co-director and head of the Issuers Division of CONSOB and a member of the board of directors of Borsa Italiana. Subsequently, in October 2011, he moved to Salini Costruttori where he held the position of Director of General Affairs and Strategic Projects and, in July 2012, he was elected to the Board of Directors of Impregilo and then appointed to the Executive Committee. In August 2013, he resigned from the Executive Committee following his appointment as *general manager group finance & corporate*. Massimo Ferrari currently holds the position of *general manager corporate & finance* and *group chief financial officer* of Salini Impregilo.

Taking into account the structure and size of the Company, the current qualitative and quantitative composition of the Board of Directors, which ensures sufficient diversification in terms of skills, age, gender, and experience, also at an international level, and keeping in mind the ownership structure and the list-voting mechanism provided for in the Articles of Association – which in turn ensures a transparent appointment procedure and a balanced composition of the administrative body – the Board of Directors did not deem it necessary to adopt policies and/or practices on diversity in relation to the composition of the administrative, management, and control bodies with regard to aspects such as age, gender composition, training and professional path.

With reference to the balance between genders within the administrative and control bodies, Articles 147-ter and 148 of the TUF - which have implemented Law 120/2011, the so-called "Golfo-Mosca Law" - impose a

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balance between the male and female gender exclusively for three consecutive terms. In view of the limited temporal effectiveness of these obligations, should there be no regulatory changes aimed at extending their application beyond the third term, the Company intends to submit to the Shareholders' Meeting the appropriate amendments to the Articles of Association, or adopt a different measure that may be deemed more appropriate, in order to expressly impose that at least one third of the members of the Board of Directors and the standing members of the Board of Statutory Auditors be made up of the least-represented gender as from the first renewal of the mandate to the Board of Directors and Board of Statutory Auditors, which will take place in 2020.

The Board of Directors did not deem it necessary to define general criteria for the maximum number of directorships and control positions in other companies that can be considered compatible with the effective performance of the role of director of the Company, without prejudice to the duty of each director to assess the compatibility of the positions of director and statutory auditor held in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies, with the diligent performance of the duties assumed as director of the Company, also taking into account the participation in the committees established within the Board, as indicated in application criterion 1.C.3 of the Corporate Governance Code.

In consideration of the positions held by its members in other companies, the Board of Directors of the Company has considered that the number and quality of the positions held does not interfere and is, therefore, compatible with the effective performance of the office of Director of the Company.

The Board of Directors may make a different and motivated assessment, which will be made public in the Annual Report on Corporate Governance and Share Ownership Structure, duly justified in that document.

Induction programme

The Chair of the Board of Directors and the Managing Director have ensured that the directors can participate, after their appointment and during their term in office, in the most appropriate forms, in initiatives aimed at providing them with adequate knowledge of the sector of activity in which the Company operates, of the company dynamics and their evolution, of the principles of correct risk management as well as of the regulatory and self-regulatory framework of reference (application criterion 2.C.2). In particular, during the process of transition from AIM Italy to MTA (STAR Segment), during the Board meeting of 18 September 2018 all members of the Board of Directors and the Board of Statutory Auditors were informed of the obligations arising from listing on a regulated market. In addition, the members of the Board of Directors and of the Board of Statutory Auditors are invited to participate in meetings with the Company's *management*, during which they are provided with information on particular transactions or issues.

4.3. Role of the Board of Directors

During the financial year ended 31 December 2018, the Board of Directors met 10 times with the regular participation of the members of the Board of Directors and the Board of Statutory Auditors, for an average duration of about 1 hour and 20 minutes.

(Courtesy Translation)

In the current financial year, the Board of Directors has met three times at the date of this Report and a total of at least nine meetings are planned for the current financial year.

The Board of Directors is convened by the Chair, or in his absence or impediment, by the Vice-Chair or, in his absence or impediment, by the Managing Director. The Board of Directors is convened whenever the Chair deems it necessary or at the request of any director in office or of the Board of Statutory Auditors.

The meeting is normally convened by e-mail at least three days before the date of the meeting. In urgent cases, the meeting may be called at least 24 hours before the date fixed for the meeting. Meetings can also be held via audio conference or video conference.

The resolutions of the Board of Directors are passed with the presence of the majority of the directors in office and with the favourable vote of the majority of the directors present. The person chairing the Board shall have the casting vote in the event of a tie vote. Directors who abstain or are declared to be in conflict of interest shall not be included in the calculation of the majority of votes.

The Board of Directors plays a central role in the guidance and management of the Company. Pursuant to art. 15 of the Articles of Association, the management of the company is the exclusive responsibility of the Board of Directors, which is vested with the broadest powers to carry out all the actions deemed appropriate to achieve the company purpose, with the sole exception of those reserved by the law or the Articles of Association for the Shareholders' Meeting.

Also pursuant to the Articles of Association, the Board of Directors, pursuant to Article 2365, paragraph 2, of the Italian Civil Code, is also competent to pass the following resolutions, without prejudice to the competence of the shareholders' meeting: (i) merger and transfer in the cases provided for by articles 2505 and 2505-bis of the Italian Civil Code; (ii) establishment or closure of secondary offices, in Italy or abroad; (iii) reduction of capital in the event of withdrawal by one or more shareholders; (iv) adaptation of the articles of association to regulatory provisions; (v) transfer of the registered office within the national territory. The Board of Directors, and any of its delegated bodies, without the need for authorisation from the Shareholders' Meeting, may also: (A) implement actions or carry out operations that may counteract the achievement of the objectives of a public purchase or exchange offer, starting from the notification provided for by art. 102, point 1 of TUF and until the closing of the offer, or until expiration of the offer itself; (b) implement decisions taken before the beginning of the period indicated in letter (a) above, which have not yet been implemented in whole or in part, which do not fall within the normal course of the company's business and the implementation of which may counteract the achievement of the objectives of the offer.

The Board of Directors is required to make an annual assessment of the functioning of the Board itself and its internal Committees, as well as of the size and composition of the latter, also taking into account elements such as the professional characteristics, experience, including managerial experience, and gender of its members, as well as their seniority in office.

In this respect, the Chair observes that the self-assessment process was conducted with the support of the Legal and Corporate Affairs Office, which prepared a specific questionnaire and sent it, together with instructions for its completion, to each Director who completed it and returned it to the Company. The results of this questionnaire were analysed, also in the light of the letter from the Chairperson of the *Corporate Governance* Committee dated 21 December 2018, during the meetings of the Company's Board of Directors held on 12 February 2019 and 13 March 2019 respectively. The Board of Directors' meeting identified (i) the adequacy of the structure and composition of the Board of Directors, taking into account its size, diversity and number

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of members as well as the competence, authority and availability of time of its members; (ii) the adequacy of the functioning of the Board, taking into account the organisation and holding of the meetings.

For further information on the considerations concerning the letter of the Chairperson of the *Corporate Governance* Committee dated 21 December 2018, see the following Paragraph 19.

4.4. Delegated Bodies

In accordance with the provisions of the Articles of Association, on July 3, 2017, the Board of Directors appointed the Chief Executive Officer from among its members, identifying him as Mr. Andrea Vismara. On June 27, 2018, the Board of Directors granted Mr Vismara the following powers of representation and management, exercisable separately, including the powers to appoint proxies for certain acts or categories of acts, with the exception of matters reserved to the competence of the Board of Directors in its collegial capacity, either pursuant to the law, to the Articles of Association, or to specific company *policies*:

Legal representation and related powers

- a) represent the Company in any relationship with Public Authorities, Public Bodies and Public or Private Administrations (e.g., Revenue Agency, Ministry of Treasury, Guardia di Finanza, etc.), Supervisory Authorities (e.g., CONSOB, Bank of Italy, Competition and Market Authority, etc.), centralised financial instruments management companies (e.g. Monte Titoli), companies that manage regulated markets, multilateral trading systems and systematic internalisers (e.g. Borsa Italiana), in all operations and procedures concerning the conduct of corporate affairs, with the power to draw up and submit statements, communications, memoranda, complaints, reports, applications, appeals, claims and counterclaims, reach agreements and transactions, issue receipts lifting any offices and their officials from any obligation or responsibility in relation to the operations themselves;
- b) represent the Company with the tax authorities by drawing up, signing and submitting declarations, reports, applications, appeals, complaints of any kind and nature before the aforesaid offices, including, by way of example but not limited to, the Company's single tax return, the VAT returns, both periodical and in summary form, and for the reporting and documentation related to the income of third parties subject to withholding tax; to challenge tax assessments before the tax commissions and administrative offices of all levels, to propose, accept and sign agreements;
- c) represent the Company vis-à-vis all social security, insurance and labour institutions, providing for what is required by current labour laws, in particular as regards insurance, indemnities, taxes, as well as representing the Company vis-à-vis trade and industrial;
- d) represent the Company vis-à-vis trade unions, of both employers and employees;
- e) represent the Company in relations with third parties in general, writing and signing correspondence, communications and documents intended for them;
- f) represent the Company in relations with Group companies, also writing and signing correspondence, communications and documents intended for them;
- g) represent the Company in ordinary, extraordinary and general Shareholders' Meetings of any company, association, body and/or non-company entities, in which the Company has the right to participate, as well as designate the person who may attend and represent the Company in the aforementioned Shareholders' Meetings, issuing the necessary proxies and giving him/her the necessary instructions;

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- h) represent the Company in legal proceedings, as plaintiff or defendant, whatever the nature of the litigation or case (including civil, criminal, administrative and/or fiscal) in any state, stage and degree before any judicial or administrative authority, national or foreign; accept compromises and settlement clauses for arbitrations of any nature, appoint and revoke arbitrators; settle, reconcile and/or otherwise define disputes and/or proceedings of any nature (including civil, criminal, administrative and/or fiscal) and waive and accept waivers for the aforementioned proceedings; to seek injunctive relief; to intervene or call third parties into action; to promote executive, conservative and/or precautionary acts, as well as to give consent to their revocation and/or renunciation; to appoint and revoke lawyers and attorneys for litigation; to make statements of a third-party garnishment and of a third-party seizure; to allow, also through special agents, registrations, subrogation, reduction, postponement and cancellation of mortgages and privileges, as well as to give consent to the execution and cancellation of transcripts, notes and endorsements of any kind; to represent the Company in bankruptcies, arrangements, debt restructuring procedures and, in any case, bankruptcy proceedings up to the definition of the aforesaid procedures; to promote applications for bankruptcy and ascertainment of insolvency, proposing any appeal, petition, action or opposition useful or necessary in any bankruptcy or insolvency proceedings, lodging claims and certifying the Company's receivables, as well as to demand distribution, issue receipts and carry out any action relating to the aforesaid procedures; to file, and waive, complaints and lawsuits; to act as a damage claimant in lawsuits and revoke said claims; to delegate powers to experts and third parties in general, granting the aforesaid parties all legal powers, including the power to reconcile, settle and waive and accept waivers of deeds; to file appeals for the cancellation of protests; to activate procedures for the amortisation of financial instruments, securities in general and passbooks;

Powers of administration of the Company

Ordinary management powers:

- a) supervise the management of the Company's ordinary activities and business;
- b) prepare and submit for approval to the Board of Directors the business plan of the Company and the Group;
- c) supervise and verify the development and implementation of the industrial plan of the Company and the Group, as approved by the Board of Directors;
- d) prepare and submit for approval to the Board of Directors the budget of the Company and the Group;
- e) propose to the Board of Directors all the initiatives he/she deems useful and/or appropriate in the interest of the Company and the Group, and to formulate proposals on matters reserved for the Board of Directors;
- f) implement the resolutions of the Board of Directors and the Shareholders' Meeting, adopting all necessary and appropriate measures;
- g) periodically report, at least quarterly, to the Board of Directors of the Company on the activities carried out in the exercise of its powers, on the most significant operations carried out by the Company and the Group, and on the general performance of operations and their outlook;
- h) coordinate all the operational functions provided for in the company's organisational chart, in full compliance with internal organisational regulations and procedures;
- i) supervise the management of the Company's financial debts, assets and liquidity;

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- j) carry out any transaction involving securities, valuables, financial instruments and currencies, not for speculative purposes;
- k) supervise the management of personnel, ensuring the planning and development of resources, making decisions on recruitment, terminations and adopting measures (including those of an economic and/or disciplinary nature) relating to employment relationships, including for executives;
- l) supervise the management and execution of all the obligations to which the Company is subject pursuant to the laws and regulations applicable from time to time (such as, by way of example but not limited to, financial, tax, accounting, health and safety, work and social security, processing of personal data, etc.), appointing any persons responsible and conferring on them tasks, powers and instructions;
- m) as an "original employer" and responsible for the protection of the health and safety of workers in the workplace pursuant to Legislative Decree no. 81/08, as subsequently amended, to carry out, in full autonomy, all the activities and fulfilments required and/or appropriate and to adopt prevention and protection measures for the protection of health and safety in the workplace, with the power to spend up to EUR 50,000 per year for interventions that are necessary or appropriate to achieve, maintain and/or restore safety conditions in the workplace and, more generally, to comply with the legislation on the protection of the health and safety of workers in the workplace as per Legislative Decree no. 81/08;
- n) carry out any activity necessary and/or appropriate for the Company to comply with the European Union and Italian pro-tempore regulations in force regarding *privacy* and *data security* (including the provisions and interpretative guidelines of the competent authorities) and for the fulfilment of any obligation under the same, including the powers, by way of example:
 - decide on the purposes and methods of the processing of personal data, as well as the organizational profiles, procedures and tools used and the adequacy of security measures;
 - appoint a personal data protection officer and appoint 'controllers' and/or 'processors';
 - verify the application of the regulations in force also through control activities on "persons in charge" and "controllers" of the processing;
- o) supervising and coordinating internal and intra-group information flows;
- p) to promote and offer to customers the services offered by the Company and the Group;
- q) to draw up and publish press releases;
- r) to file licenses, trademarks or product marks, internet domains, names and intellectual property rights, and also to issue mandates to that effect, and to do whatever is necessary to protect and renew them.

Contracts, acts and related operations

- a) in general, to conclude, sign, modify, execute, withdraw from or terminate contracts of any nature instrumental to the direct or indirect achievement of the corporate purpose (such as, by way of example and not limited to, contracts with personnel, contracts with customers concerning products and services offered or provided by the Company from time to time, professional service contracts and contracts for the supply of goods and services, consultancy contracts, storage contracts, shipping contracts, contracts for the purchase and sale of movable and immovable property, contracts for the transfer, including credit, lease contracts, including, where appropriate, contracts for more than nine years, leasing contracts - of movable, immovable and immovable property registered -, insurance contracts, bank contracts, contracts

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with intermediaries, contracts with companies that operate regulated markets, multilateral trading systems and systematic internalisers, contracts with companies that centrally manage financial instruments, setting out the terms and conditions;

- b) with reference to contracts with banks, financial companies, post offices, insurance companies and bodies in general, to conclude, sign, modify, execute, withdraw and terminate contracts, by way of example but not limited to, relating to:
- mortgages, assignments of credit, sureties, endorsements, credit operations;
 - deposit of sums, securities, notes, financial instruments and currencies in general, including dematerialised financial instruments;
 - credit lines and loans of any type and/or duration, with the necessary guarantees, as well as performing any other related necessary transaction or act;
 - current accounts to be opened or already existing in the name of the Company;
 - leases of safe custody boxes and safes;
 - transactions aimed at hedging the risks deriving from interest rate fluctuations due in relation to credit lines and loans in any form;
 - settling of payables and receivables between the creditors of the Company (and/or its subsidiaries and/or associates) in relation to the satisfaction of reciprocal credit reasons;
 - insurance policies;
- c) operate on current accounts and/or securities accounts opened in the name of the Company and carry out any type of active and passive banking operation on the same (such as, by way of example but not limited to, requesting, drawing, issuing, endorsing banker's cheques, bank cheques, bank, postal or telegraphic orders, bills of exchange and, in general, credit instruments, to issue payment instructions, make withdrawals, issue transfers and transfer instructions to bank and postal current accounts, as well as to carry out any operation concerning securities, equity, financial instruments and currencies, such as purchase, sale, exchange, pledging and any operation);
- d) negotiate, stipulate, sign, issue and cancel acts of any nature instrumental to the direct or indirect achievement of the corporate purpose (such as, by way of example but not limited to, certificates, statements, declarations, deeds of acquittal and/or exemption from liability, deeds of liberation, receipts, petitions, complaints, statement of quantities, securities, acknowledgements, commitments, indemnities, liquidations, guarantees, requests, applications, claims, registrations, debt notes of the Company, invoices, deferrals, debit and credit notes, drafts, receipts, etc.), setting out their terms and conditions;

Correspondence and delegation to employees and third parties

- a) receive, transmit, write and/or sign correspondence sent by and/or to the Company;
- b) to grant, within the scope of the powers received, proxies for individual acts or categories of acts to employees of the Company or Group companies and to third parties, with the right to sub-delegate.

Expenditure faculty

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All the above powers involving expenses and/or costs of any kind on behalf of the Company may be exercised up to a maximum amount of Euro 500,000 per transaction - with single signature - and up to a maximum amount of Euro 5,000,000 per transaction - with joint signature with an executive director or, alternatively, with the Chief Financial Officer.

A "single transaction" is defined as any transaction carried out at different times, even if different, but having a unitary characteristic and, in the case of an open-ended transaction, it must refer to the consideration envisaged for the period of one year.

On the same date, the Company's Board of Directors adopted a *policy* on the conferral of powers of ordinary administration and representation and related powers of signature, subsequently amended on 20 December 2018. The Chief Executive Officer of the Company can be considered as the main person responsible for the management of the company pursuant to the Corporate Governance Code. In this regard, it should be noted that the Chief Executive Officer has not taken up the position of director of another issuer not belonging to the same group of which a director of the Company is a Chief Executive Officer.

The Shareholders' Meeting appointed Francesco Perilli as Chairperson of the Board of Directors and the Board of Directors appointed Thierry Portè as Vice-Chairperson of the Board of Directors and Andrea Vismara as Managing Director.

On February 12, 2019, the Board of Directors, taking into account the reports of its members, resolved the adequacy of the pre-consolidation information provided to its members.

4.5. Other executive directors

The Board of Directors is made up of executive and non-executive directors. In compliance with the provisions of the Corporate Governance Code, "executive directors" are:

- the managing directors of the Company (or of companies of the Group having strategic importance), as well as its Chairperson, in case the latter is granted individual management powers or is given a specific role in the elaboration of company strategies;
- the directors who hold management positions in the Company (or in companies of the Group having strategic importance) or in the parent company, when the position also concerns the Company.

Directors who do not fall into any of the above categories may be qualified as non-executive directors.

On July 3, 2017, the Board of Directors appointed the Chief Executive Officer from among its members, identifying him as Andrea Vismara, and conferred on him the powers of representation and management of the Company, exercisable jointly, including the powers to appoint proxies for certain acts or categories of acts, with the exception of matters reserved to the competence of the Board of Directors in a collegial capacity by law or by the Articles of Association and by virtue of specific company *policies*. On 27 June 2018, the Board of Directors revised the above powers, specifying them in further detail.

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In addition to the Chief Executive Officer, at the date of this Report the director, Mr. Stefano Lustig, also qualifies as an executive director pursuant to Article 2 of the Corporate Governance Code.

4.6. Independent Directors

With reference to the members of the Board of Directors appointed by the Shareholders' Meeting on June 15, 2017, on the basis of the information provided by the persons concerned at the time of their appointment, Thierry Portè, Michela Zeme and Massimo Ferrari meet the independence requirements set out in article 147-ter, point 4, of the TUF (which refers to Article 148, paragraph 3, of the TUF) and the directors Michela Zeme and Massimo Ferrari comply with the provisions set forth in article 3 of the Corporate Governance Code. It should be noted that the Vice-Chairperson of the Board of Directors, Thierry Portè, has been excluded from the existence of the requirement of independence pursuant to Article 3 of the Corporate Governance Code as he was a director of Equita SIM S.p.A. for more than nine years in the last twelve years.

The Board of Directors also carried out an assessment of the requirements of good standing, professionalism and independence of the aforementioned directors.

Pursuant to the application criterion 3.C.5 of the Corporate Governance Code, the Board of Auditors has therefore verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members.

On March 13, 2019, the Board of Directors once again ascertained that the requirements for the composition of the body as a whole continued to apply, as did the requirements for independence pursuant to the Corporate Governance Code for directors Michela Zeme and Massimo Ferrari, and pursuant to Article 148 of the TUF for director Thierry Portè.

Pursuant to the provisions of the application criterion 3.C.6 of the Corporate Governance Code, the Directors Michela Zeme and Massimo Ferrari, independent directors in accordance with the Corporate Governance Code, met on February 7, 2019, in the absence of the other directors, and discussed the functioning of the Board of Directors and the quality and quantity of information flows between the Management and the Board itself, expressing a positive opinion.

4.7. Lead Independent Director

As at the date of this Report, no *Lead Independent Director* has been appointed, since the conditions set out in application criterion 2.C.4 of the Corporate Governance Code have not been met.

5. Processing of corporate information

During its meeting of July 26, 2018, the Company's Board of Directors resolved to approve, to become effective from the date of application with Borsa Italiana for admission of the Shares to trading on the MTA:

- a code (the "**Corporate Governance Code for *Internal Dealing***") for the management of information requirements deriving from the rules on *internal dealing* pursuant to art. 19 of Regulation (EU) no. 596/2014 ("**MAR**"); article 114, paragraph 7, of the TUF; and 152-quinquies.1 and subsequent articles of CONSOB Regulations, adopted by resolution no. 11971 of May 14, 1999 (the "Regolamento Emittenti", or Issuers Regulation), in order to define (i) the rules for the fulfilment of the obligations to communicate to the Company, to CONSOB and to the market the relevant transactions concerning the financial instruments issued by the Company or the other financial instruments connected with them, carried out, also through third parties, by the members of the administrative or control bodies of the Company, by the senior managers with regular access to privileged information, by the relevant

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subjects as provided for by the Issuers Regulation, and the persons closely linked to them; (ii) their relevant limits;

- certain amendments to the procedure for the management of inside information and the keeping of the register persons who, because of their work, professional activity, or their functions, have access, on a regular or occasional basis, to such information, that had been approved by the Board of Directors on 10 November 2017 and amended on 17 May 2018 (the "**Procedure for the Treatment of Privileged Information and the establishment and maintenance of the Insider List**"), with the aim of regulating (i) the internal management and external communication of information on events occurring in the Company's sphere of activity in application of current legislation on the treatment of privileged information; as well as (ii) the operating procedures to be observed for the maintenance of the Insider List.

6. Committees within the Council

On July 26, 2018, the Company's Board of Directors resolved, effective as of the Starting Date of the Negotiations, to confirm the presence and functioning of:

- the control and risk committee established by resolution of the Board of Directors of July 20, 2017 ("**Control and Risk Committee**"), members of which are Michela Zeme, Chair and non-executive director who meets the independence requirements set out by the Consolidated Finance Act and the Corporate Governance Code; Massimo Ferrari, non-executive director who meets the independence requirements set out by the Consolidated Finance Act and the Corporate Governance Code; and Sara Biglieri, non-executive director; this composition was confirmed by the aforementioned Board of Directors' resolution of July 26, 2018. At its meeting of July 26, 2018, the Board of Directors also assigned to the Control and Risk Committee, with effect from the Starting Date of the Negotiations, the functions envisaged by Article 7 of the Corporate Governance Code (for further information, see Paragraph 10 of this Report);
- the remuneration committee established by resolution of the Board of Directors of October 23 2017 ("**Remuneration Committee**"), whose composition was modified by the Board of Directors of 26 July 2018 in order to bring it into line with the provisions of the Corporate Governance Code. In particular, the Board of Directors appointed, with effect from the Start Trading Date, Massimo Ferrari, non-executive director who meets the independence requirements set forth in the TUF and the Corporate Governance Code, as Chairperson of the Remuneration Committee, Michela Zeme, non-executive director who meets the independence requirements set forth in the TUF and the Corporate Governance Code, and Francesco Perilli, non-executive director, as members of the Remuneration Committee. At the meeting held on July 26, 2018, the Board of Directors also assigned to the Remuneration Committee, with effect from the Starting Date of the Negotiations, the functions envisaged by Article 6 of the Corporate Governance Code (for further information see Paragraph 8 of this Report);
- of the related parties committee established by resolution of the Board of Directors of December 14, 2017 ("**RPT Committee**"), members of which are Michela Zeme, Chair and non-executive director who meets the independence requirements set out by the Consolidated Finance Act and the Corporate Governance Code; Massimo Ferrari, non-executive director who meets the independence requirements set out by the Consolidated Finance Act and the Corporate Governance Code; and Sara Biglieri, non-executive director; this composition was confirmed by the aforementioned Board of Directors'

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resolution of July 26, 2018. The Related Parties Committee has been assigned the role and responsibilities set out in the regulations on related party transactions, adopted by CONSOB with resolution no. 17221 of March 12, 2010, as subsequently amended and supplemented.

Functioning of the Committees

The Committees shall remain in office for the entire term of the Board of Directors and shall meet upon request by their Chair or his/her deputy, in the place set by him/her by means of a specific notice, indicating the agenda, which shall be sent to all of its members.

The Control and Risk Committee must be convened when requested by the Chairperson and when requested by the Compliance Manager or the Head of the Internal Audit Function or the Head of the Risk Management Function.

The documentation and information available for discussion shall be sent to all members of the relevant Committee sufficiently in advance to enable them to express their views before the meeting.

The Committee is validly constituted once the majority of the members in office is present.

Resolutions shall be taken by an absolute majority of votes. In the event of a tie, the Chair of the meeting shall have the casting vote. Voting may not be by proxy.

Meetings may be held by teleconference or videoconference, provided that all participants can be identified by each of them and that they are able to follow the discussion and intervene in real time in the discussion of the topics on the Agenda; if these conditions are met, the meeting is deemed to have been held in the place where the Chair and Secretary are located.

On February 12, 2019, the Board of Directors approved the adequacy of the Endo-Company Committees, taking into account their current structure, composition and functioning, and therefore no particular corrective action is required at this stage.

7. Appointments Committee

Taking into account the structure and size of the Company, also considering its ownership structure, as well as the list voting mechanism provided for in the Articles of Association – which ensures a transparent appointment procedure and a balanced composition of the Board of Directors, also with reference to the presence of an adequate number of independent directors – on the same date, the Board of Directors did not deem it necessary to set up an internal nomination committee. The relative functions, as indicated in the Corporate Governance Code, are therefore carried out by the Board of Directors.

8. Remuneration Committee

On July 26, 2018, the Board of Directors appointed as members of the Remuneration Committee the directors Massimo Ferrari, as Chairperson, Francesco Perilli and Michela Zeme. Pursuant to principle 6.P.3, the Remuneration Committee; is composed by non-executive directors, the majority of which independent with the Chair (Massimo Ferrari) chosen from among the independent directors.

On the same date, the Board of Directors verified that all members have knowledge and experience in financial matters or remuneration policies.

The Remuneration Committee, pursuant to application criterion 6.C.5 of the Corporate Governance Code and the Supervisory Provisions for Banks, has advisory and propositional functions vis-à-vis the Board of Directors

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with regard to the remuneration of directors and managers with strategic responsibilities, has the necessary expertise and independence of judgement to formulate assessments of the adequacy of policies, remuneration and incentive plans and their implications on the assumption and management of risks.

In particular, the Remuneration Committee;

- submits proposals to the Company's Board of Directors regarding the remuneration policy, flexible benefits and incentive plans based on financial instruments;
- submits proposals or expresses opinions on the remuneration of personnel (including executive directors and other directors holding particular offices) whose remuneration and incentive systems are decided by the Board of Directors of the Company and/or its direct or indirect subsidiaries, also expressing an opinion on the setting of performance objectives related to the variable component of remuneration;
- has advisory duties in defining the Group's remuneration policy, with particular reference to the determination of criteria for the remuneration of all the most significant personnel of the Group as identified pursuant to the supervisory regulations applicable to groups of SIM (a concept that also includes managers with strategic responsibilities) (the "**Most Significant Personnel of the Group**");
- periodically assesses the adequacy, overall consistency and concrete application of the policy adopted for the remuneration of directors, executives with strategic responsibilities and heads of corporate control functions (in the latter case, in close collaboration with the Board of Statutory Auditors of the Company and the companies of the Group), using the information provided by the Managing Director of the Company and the companies of the Group;
- prepares the documentation for the Board of Directors of the Company and the companies of the Group for the relevant decisions;
- collaborates with the Control and Risk Committee in particular in assessing whether the incentives provided by the remuneration system take into account risks, capital and liquidity;
- ensures the involvement of the competent functions of the Company and/or Group companies in the elaboration and control of remuneration and incentive policies and practices;
- expresses opinions, also making use of the information received from the competent functions of the Company and the companies of the Group, on incentive plans and the payment of fees, and supports the Board of Directors in monitoring the application of the decisions adopted, verifying, in particular, the actual achievement of the performance objectives;
- expresses opinions and supports the Board of Directors of the Company and the companies of the Group in all the other cases provided for by the remuneration policy, including for the purposes of the decisions relating to the so-called "*bonus pool*" and of the suspension or reduction of the variable portion or of the call of the incentive component already paid out;
- prepares a report containing the variation proposals for the Most Important Personnel and for the remaining personnel, which are submitted to the Board of Directors of the companies of the Group and of the Company for approval; and
- provides the Board of Directors and the Shareholders' Meeting with adequate feedback on the activities it carries out.

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In particular, during the year ended on December 31, 2018, the Remuneration Committee participated in the definition of the new remuneration policies for directors, as illustrated in the Remuneration Report (see Paragraph 9 below).

The Chair of the Board of Statutory Auditors or another Statutory Auditor designated by him may also participate in the work of the Remuneration Committee; the other Statutory Auditors may also participate. The Head of the Risk Management Function may be invited to attend meetings of the Remuneration Committee, who, without voting rights, expresses his or her opinion on matters submitted to him or her that may have an impact on the overall risk profile of the Company. In addition, other persons, including non-executive members of the Board of Directors and employees of the Company or Group companies, may attend Committee meetings without the right to vote, upon invitation by the Committee through the Chair and in relation to the matters to be discussed. No director may take part in meetings of the Committee at which proposals are made regarding his/her remuneration. The Chief Executive Officer is invited to attend the meetings of the Remuneration Committee in order to provide it with support or information on the matters examined from time to time, without voting rights and without prejudice to the fact that he will not attend the discussions and decisions of the Remuneration Committee in which proposals are formulated relating to his own remuneration or in relation to which he has a conflicting interest.

The Chair of the Board of Statutory Auditors attended the meetings of the Committee.

The Remuneration Committee has at its disposal for its activities a *budget* approved annually by the Board.

9. Remuneration of directors

For information on the remuneration policy, reference should be made to the Remuneration Report for the year ended on December 31, 2018, prepared pursuant to art. 123-ter of the Consolidated Finance Act and approved by the Board of Directors on March 13, 2019, subject to examination and approval by the Remuneration Committee available on the website (www.equita.eu/it/corporate-governance/documenti-e-procedure.html).

For information on (i) the general remuneration policy, (ii) the share-based remuneration plans, (iii) the remuneration of executive directors, (iv) the remuneration of key management personnel, (v) the incentive mechanisms for the Head of the Internal Audit Function and the manager responsible for preparing the company's financial reports, and (vi) the remuneration of non-executive directors, please refer to Section I of the Remuneration Report.

10. Control and Risks Committee

On July 26, 2018, the Board of Directors confirmed the directors Michela Zeme as Chair, and Massimo Ferrari and Sara Biglieri as members of the Control and Risk Committee. The Control and Risks Committee is composed of, pursuant to principle 7.P.4 non-executive directors, the majority of whom shall be independent with the Chairperson (Michela Zeme) chosen from among the independent directors.

On the same date, the Board of Directors verified that all members have adequate experience in accounting and financial matters or risk management. The Control and Risk Committee provides support to the Board of Directors in the evaluations and decisions relating to the internal control and risk management system, as well as in those relating to the approval of periodic financial reports, in accordance with the provisions of art. 7 of the Corporate Governance Code.

In particular, the Control and Risk Committee performs, *inter alia*, the following functions:

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- identifies and proposes the Heads of the corporate control functions to be appointed. With specific reference to the Internal Audit function, it expresses its opinion on:
 - ❖ the appointment and revocation of the Head of the Internal Audit function;
 - ❖ the provision to the Internal Audit Head of adequate resources to fulfil his/her duties;
 - ❖ the consistency of the remuneration of the aforementioned manager with company policies.
- it examines the activity programmes and the annual reports of the corporate control functions addressed to the Board of Directors and, in particular, before the Board meets for the approval of the audit plan, the Committee examines the plan and the periodic reports that deal with evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Internal Audit Function;
- it expresses, using the information received from the Risk Management and Compliance Functions, evaluations and formulates opinions to the Board of Directors on specific aspects concerning the identification of the main corporate risks, the design, implementation and management of the Company's overall internal control and risk management system, as well as on compliance with the principles to which the internal control system and the corporate organisation must conform to, as well as the requirements of the corporate control functions, bringing any weaknesses and the consequent corrective actions to be promoted to the attention of the Board of Directors; to this end, it evaluates the proposals of the Managing Director;
- it contributes, by means of assessments and opinions, in defining the company policy on outsourcing of corporate control functions;
- it verifies that the corporate control functions correctly comply with the indications contained in the governance regulation, as subsequently amended and integrated;
- it assesses, together with the Manager in charge of preparing the corporate accounting documents and having heard the statutory auditor and the Board of Auditors, the consistency and correctness of the accounting standards used for preparing the consolidated financial statements;
- it supports the Board of Directors in defining and approving strategic guidelines and risk management policies, so that the main risks relating to the issuer are correctly identified, adequately measured, managed and monitored, determining the criteria of compatibility between the risks thus identified and a sound and correct management of the Company consistent with the strategic objectives identified;
- it supports the Board of Directors in periodically checking, at least once a year, the correct implementation of strategies, risk management policies and the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of the Company and the risk profile adopted;
- without prejudice to the responsibilities of the Remuneration Committee, it ensures that the incentives underlying the Company's remuneration and incentive system are consistent with the Group's risk profile;
- it assists the Board of Directors in approving the audit plan, within the terms set forth by the law and the Corporate Governance Code and, in any case, at least once a year;

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- it supports the Board of Directors in assessing the results presented by the statutory auditor in any management letter to the company management.

Furthermore, the Control and Risk Committee, pursuant to the specific regulations and always in compliance with the provisions of Article 7 of the Corporate Governance Code, *inter alia*:

- provides preliminary assessments for the description, in the corporate governance report, of the main characteristics of the internal control and risk management system and the methods of coordination between the parties involved in it, in order to support the assessment of adequacy by the Board of Directors;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- may ask the Internal Audit function to carry out checks on specific operational areas, simultaneously notifying the Chairperson of the Board of Auditors;
- It reports: (i) at least every six months, upon the approval of the annual and half-yearly financial report, on the activities carried out and on the adequacy of the internal control and risk management system; and (ii) immediately upon the occurrence of extraordinary situations, in the event of reports received or if other urgent cases arise;
- it supports with adequate preliminary activities the assessments and decisions of the Board of Directors on managing risks deriving from prejudicial events of which the Board of Directors has become aware (Application Criterion 7.C.2, letter g) of the Corporate Governance Code);
- it carries out the additional tasks assigned to it by the Board of Directors.

The Control and Risk Committee has the right of access to the necessary information and to the competent company functions for the performance of its duties, and may avail itself of external consultants, within the terms and limits of the *budget* approved by the Board.

The Chairperson of the Board of Statutory Auditors or another Statutory Auditor designated by him participates in the work of the Control and Risks Committee (the other Statutory Auditors may also participate in any case); the Internal Audit Function participates in the Committee with the role of Secretary. The Committee may avail itself of the services of external experts and - where necessary - directly interact with the Internal Audit, Risk Management and Compliance functions.

In 2018, the Committee held 10 meetings, lasting an average of about one hour, with a 97% attendance rate.

11. Internal control and risk management system

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

In order to support the Company's internal control and risk management system, in addition to the Control and Risk Committee, on July 26, 2018, the Company's Board of Directors appointed Andrea Vismara as the Director in charge of the internal control and risk management system, who performs the functions listed in application criterion 7.C.4 of the Corporate Governance Code (the "**Director in charge**"). In this regard, Equita Group believes that the appointment of a Managing Director, such as Andrea Vismara, to this position is in line with the provisions of the Corporate Governance Code, where the positive aspects associated with a choice of this type are underlined, also on the basis of the specific knowledge possessed by the person appointed.

The Director in charge is entrusted with the task of supervising the functionality of the internal control and risk management system and implementing the related policies defined by the Board of Directors, with the

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support of the Control, Risk and Sustainability Committee, ensuring that all necessary actions are taken to implement the system.

In particular, pursuant to the application criterion 7.C.4 of the Corporate Governance Code, the Director in charge of the internal control and risk management system:

- a) identifies the main business risks, taking into account of the characteristics of the activities performed by the Issuer and its subsidiaries, and submitting them periodically for examination by the Board of Directors;
- b) implements the strategic guidelines defined by the Board of Directors, dealing with the planning, implementation, and management of the Internal Control and Risk Management System and verifying constantly its adequacy and effectiveness;
- c) adapts the Internal Controls System to the dynamics of the operating conditions and the legislative and regulatory panorama;
- d) *may ask the Internal Audit Function to conduct checks on specific operating areas and on the compliance of business operations with internal rules and procedures, giving simultaneous communication thereof to the Chair of the Board of Directors, to the Chair of the Control and Risks Committee and to the Chair of the Board of Auditors;*
- e) promptly reports to the Control and Risks Committee (or to the Board of Directors) on issues and critical points emerging in the conduct of his activities or of which he/she has in any case been informed, so that the Control and Risks Committee (or the Board of Directors) may take the appropriate initiatives.

11.2. Head of the Internal Audit Function

On December 14, 2017, the Board of Directors appointed Elisabetta D'Ardes as head of the Internal Audit function, in accordance with the regulatory provisions applicable to the Company.

On July 26, 2018, the Company's Board of Directors confirmed the appointment of Elisabetta D'Ardes as head of the Internal Audit Function. On November 8, 2018, after the Starting Date of the Negotiations and following the entry into force of the appointment of the Director in charge of the internal control and risk management system, the Board of Directors of the Company, upon proposal of the Director in charge of the internal control and risk management system, with the favourable opinion of the Control and Risks Committee and of the Board of Statutory Auditors, resolved to confirm the appointment of Elisabetta D'Ardes as head of the Internal Audit Function.

It should be noted that the head of the Internal Audit Function is not responsible for any operational area and reports hierarchically to the Board of Directors.

Furthermore, in compliance with the application criterion 7.C.5 of the Corporate Governance Code, the Head of the Internal Audit Function has continuously verified the operation, suitability and adequacy of the internal control and risk management system, through the Audit Plan approved by the Board of Directors of the Company on February 22, 2018.

The head of the Internal Audit function also had access to all the information required to carry out her duties and prepared periodic reports containing adequate information on her activities, on the methods used to manage risks, and on compliance with the plans defined for their containment, as well as an assessment of the suitability and adequacy of the internal control and risk management system; the report was forwarded to the Chairs of

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the Board of Statutory Auditors, the Control and Risk Committee, the Board of Directors and to the Director responsible for the internal control and risk management system.

Ms. D'Ardes also verified the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements for the year ended on December 31, 2018.

11.3. Organisation model pursuant to Italian Legislative Decree 231/2001

On April 16, 2018, the Board of Directors of Equita Group adopted the organisational and management model provided for by Legislative Decree no. 231/2001 (the "**Model 231**") in order to establish a set of rules to prevent unlawful conduct considered potentially relevant to the application of said legislation, and, consequently, it proceeded to the establishment of the supervisory body pursuant to Article 6, paragraph 1, letter b) of Legislative Decree 231/2001 (the "**Supervisory body**").

Model 231 is composed of (i) a general part, which regulates the overall functioning of the organisation, management and control system adopted; and (ii) several special parts, containing the general principles of conduct and control protocols for each of the types of hypothetical offences considered relevant.

At the date of this Report, the Supervisory Board is composed of Paolo Domenico Sfameni (external member), Patrizia Pedrazzini (head of *Compliance* and *Risk Management* of the Company) and Elisabetta d'Ardes (head of Internal Audit at Equita Group).

The Supervisory Board thus composed possesses the applicable requisites of autonomy, independence, professionalism and continuity of action. The Supervisory Board is generally entrusted with the power/duty to supervise:

- on the observance of the provisions of Model 231 by the recipients expressly identified in the special section in relation to the different types of crimes covered by the Legislative Decree 231/2001;
- the real effectiveness and actual capacity of Model 231, in relation to the company structure, to prevent the offences referred to in Legislative Decree 231/2001; and
- the appropriateness of updating the 231 Model, where there is a need to adapt it in relation to changed company conditions and regulations. The internal control system outlined in Model 231 is completed by the Group's Corporate Governance Code, which identifies the values, general principles and rules of conduct that must inspire the conduct of all those who, for any reason, directly or indirectly, permanently or temporarily, work for the company.

The Code is available for consultation on the Equita Group website ("<https://www.equita.eu/it/corporate-governance/documenti-e-procedure.html>").

11.4. Independent auditing firm

The Shareholders' Meeting of Equita Group, held on September 26, 2018, in second call, resolved to appoint the independent auditors KPMG S.p.A. as independent auditors for the years 2018-2026, with effect from the Starting Date of the Negotiations.

11.5. Manager in charge of preparing the corporate accounting documents and other company roles and functions

On July 26, 2018, the Board of Directors appointed Stefania Milanese, CFO-COO of the Equita Group, as the Manager in charge for preparing the financial statements, whose appointment took effect on the Date on which the negotiations were started ("Financial Reporting Officer"). On that occasion, the Board of Directors

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acknowledged that Ms Milanese was a suitable person to perform this function, also in consideration of the requirements of professionalism and honourableness set forth in art. 20 of the Articles of Association, pursuant to which the Manager in charge of preparing the company's financial reports must have at least three years' experience in accounting or administrative matters in a listed company with shares or in a company with share capital of not less than one million euros or in a company providing financial services.

Pursuant to Article 154-bis of the TUF, the Financial Reporting Officer

- draws up written declarations accompanying the Company's deeds and communications that are disclosed to the market and related to accounting information, including interim information;
- lay out adequate administrative and accounting procedures for the preparation of the statutory financial statements and, where applicable, the consolidated financial statements, as well as any other financial communications;
- certify by means of a specific report on the annual financial statements, the abbreviated half-yearly financial statements and, where prepared, the consolidated financial statements (i) the adequacy and effective application of the administrative and accounting procedures for the preparation of the annual financial statements; (ii) that the documents have been drawn up in compliance with the applicable international accounting standards recognised by the European Union pursuant to EC Regulation no. 1606/2002 of the European Parliament and the Council of July 19, 2002; (iv) the suitability of the documents to provide a true and fair view of the financial position, results of operations and cash flows of the Company and of all the companies included in the consolidation; (v) for the separate and consolidated financial statements, that the report on operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and of all the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed; and (vi) for the condensed interim financial statements, that the interim report on operations contains a reliable analysis of the information referred to in art. 154-ter, paragraph 4, TUF.

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

The Equita Group Control and Risk Committee supports the administrative body in assessing and deciding on risks and the internal control system as provided for by the Corporate Governance Code.

The entire Board of Statutory Auditors or at least one Statutory Auditor attended the meetings of the Committee.

The Control and Risk Committee carried out its activities through frequent meetings with the Heads of the Control Functions, the CFO-COO and the Independent Auditors, as well as through information exchanges with the Board of Statutory Auditors on matters of mutual interest, involving the latter at each meeting of the Committee.

12. Interests of Directors and Transactions with Related parties

On July 26, 2018, the Board of Directors resolved to adopt, as from the Starting Date of the Negotiations, a procedure for the management of transactions with related parties (the "**New RPT Procedure**") pursuant to the regulation adopted by CONSOB with resolution no. 17221 of March 12, 2010 (the "**Related-Party Regulation**") (replacing the procedure for related-party transactions adopted by the Board of Directors on November 10, 2017 and subsequently amended on December 14, 2017, in compliance with the regulations applicable to companies with financial instruments admitted to trading on the multilateral trading facility AIM

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Italia / Alternative Capital Market, organised and managed by Borsa Italiana) aimed at defining the rules on the identification, instruction, approval and carrying out of related-party transactions stipulated by the Company or through its subsidiaries.

The procedure, in accordance with the Related Parties Regulation, defines as Significant transactions with Related Parties those in which at least one of the materiality indicators indicated in Annex 3 of the Related Parties Regulation is exceeded (the "**Significant transactions**").

Transaction of negligible amount are considered to be those in which the foreseeable maximum amount of the consideration or the foreseeable maximum value of the services to be paid by the Company does not exceed, for each transaction, Euro 100,000, even in the case of transactions with Related Parties concluded with the same Related Party that are homogeneous or carried out in execution of a single plan, considered cumulatively (the "**Transactions of a negligible amount**").

Minor transactions are all Transactions other than Significant transactions and Transactions of a negligible amount (the "**Minor transactions**").

The procedure sets forth that, without prejudice to the disclosure requirements set out in Article 5 of the Related Parties Regulation, the Company avail itself of the derogation granted by Article 10 of the Related Parties Regulation, as a newly listed and smaller company and, therefore, the approval of Significant transactions with Related parties will take place according to the procedure provided for the approval of Minor transactions with Related Parties. This simplified regime will apply as long as the Company can qualify as a "newly listed company" and/or as a "smaller company".

In compliance with the Related Parties Regulation, the procedure provides that before approving a transaction with Related Parties, the Related Parties Committee, composed exclusively of non-related and non-executive directors, the majority of whom are independent pursuant to the TUF and the Corporate Governance Code, shall issue a motivated opinion on the Company's interest in carrying out the transaction and on the appropriateness and material correctness of the conditions envisaged.

The rules set forth in the procedure are not applicable in the following cases:

- a) (i) shareholders' meeting resolutions as per article 2389, first paragraph, of the Italian Civil Code relating to the remuneration of the members of the Board of Directors and the Executive Committee (if appointed); (ii) resolutions relating to the remuneration of directors holding particular offices falling within the total amount previously determined by the shareholders' meeting pursuant to article 2389, third paragraph, of the Italian Civil Code; and (iii) shareholders' meeting resolutions as per article 2402 of the Italian Civil Code, relating to the remuneration of the members of the Board of Statutory Auditors;
- b) to Transactions of a negligible amount;
- c) without prejudice to the application of the periodic accounting reporting obligations provided for by article 5, paragraph 8, of the Related Parties Regulation, where applicable:
 - (i) compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to Article 114-bis of the TUF and the related executive transactions;
 - (ii) resolutions, other than those indicated in letter (a) above, concerning the remuneration of the Company's directors holding particular offices as well as other managers with strategic responsibilities, provided that: i) the Company has adopted a remuneration policy; ii) a committee made up exclusively of non-executive directors, the majority of whom are

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independent, has been involved in defining the remuneration policy; iii) a report illustrating the remuneration policy has been submitted to the approval or advisory vote of the Company's Shareholders' Meeting; and iv) the remuneration assigned is consistent with this policy;

- d) to ordinary transactions that are concluded at conditions equivalent to market or standard. In the case of applicability of this exclusion, without prejudice to the provisions of Art. 17 MAR, with regard to Significant transactions, the Company is required to provide periodic information as per Art. 5, point 8 and Art. 13, point 3, letter c) of the Related Parties Regulation;
- e) transactions with or between subsidiaries and with companies associated with the Company (if any), if there are no significant interests of other Related Parties of the Company in the aforementioned companies;

In urgent cases, significant or minor transactions with related parties which do not fall within the competence of the shareholders' meeting and which do not have to be authorised by it, may be concluded by the competent body provided that:

- a) in the case of transactions falling within the remit of the delegated body, the Chairperson of the Company's Board of Directors, or the Deputy Chairperson of the Company's Board of Directors, be informed of the reasons for urgency before the transactions are carried out;
- b) the transactions in question are subsequently subject, without prejudice to their effectiveness, to a non-binding resolution adopted by the first useful ordinary Shareholders' Meeting;
- c) the Company's Board of Directors, when calling the Shareholders' Meeting referred to in letter (b) above, prepares a report containing a detailed indication of the reasons for urgency. In this case, the Company's Board of Statutory Auditors shall report to the Shareholders' Meeting referred to in letter (b) above on its assessment of the existence of the reasons for urgency;
- d) the report and the assessments referred to in letter (c) above are made available to the public at least 21 days before the date set for the Shareholders' Meeting at the Company's registered office and in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations, or are made available by inclusion in the information document on Significant Transactions to be published pursuant to Article 5, paragraph 1, of the Related Parties Regulation; and
- e) by the end of the day following that on which the Shareholders' Meeting is held, the Company shall make available to the public, in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations, information on the results of the vote, with particular regard to the total number of votes cast by unrelated parties.

13. Appointment of Statutory Auditors

The Board of Statutory Auditors consists of three standing auditors and two alternate auditors who remain in office for three financial years, may be re-elected and their term of office expires on the date of the Shareholders' Meeting called to approve the financial statements for the third financial year of their office.

The members of the Board of Statutory Auditors must meet the requirements of integrity, professionalism, independence, and on the limit to the number of offices held, as provided for by the law and regulations in force at the time.

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The Statutory Auditors are appointed by the Shareholders' Meeting on the basis of lists submitted by the shareholders.

Shareholders who, alone or together with other shareholders, hold a total of at least 2.5% (two point five percent) of the share capital with voting rights, to be proven by filing appropriate certification, or representing a lower percentage established by mandatory provisions of law or regulations, may submit a list for the appointment of statutory auditors.

The lists are deposited at the company's registered office, in accordance with the procedures laid down by current regulations, at least 25 days prior to the date set for the shareholders' meeting called to resolve on the appointment of directors. The lists must be made available to the public by the Company at least 21 days prior to the date of the aforementioned Shareholders' Meeting in accordance with the procedures laid down by current regulations.

Each list:

- must bear the names of one or more candidates for the office of Statutory auditor and one or more candidates for the office of Alternate auditor, marked in each section ("*Standing auditors*" section, "*Alternate auditors*" section) by a progressive number, not exceeding the number of members of the body to be elected;
- shall include a number of candidates of a different gender so as to ensure that the composition of the Board of Statutory Auditors complies with the provisions of the law and applicable regulations on gender balance (male and female), it being understood that if the application of the gender distribution criterion does not result in a whole number of auditors of the less represented gender, this must be rounded up to the next unit;
- must contain the documentation required by the Articles of Association as well as any other additional or different declaration, information and/or document required by law and by the applicable regulatory provisions.

Each shareholder, as well as shareholders belonging to the same group of companies and shareholders who have signed a relevant shareholders' agreement pursuant to Article 122 of the TUF, may not present or participate in the presentation, even through a third party or trust company, of more than one list, nor may they vote for different lists.

Each candidate may be a candidate in only one list under penalty of ineligibility.

(A) If two or more lists have been submitted, the lists submitted are voted and the Board of Statutory Auditors is formed on the basis of the following provisions:

- the first 2 (two) candidates on the list that obtained the highest number of votes (the "**Majority List for the Board**") and the first candidate on the list that obtained the second highest number of votes and that was submitted by the shareholders who are not connected, even indirectly, with the shareholders who submitted or voted for the list that obtained the highest number of votes were elected standing auditors; the candidate on the latter list assumes the position of Chairperson of the Board of Statutory Auditors (the "**Minority Auditor**"). The first alternate candidate on the list that obtains the highest number of votes and the first alternate candidate on the list that obtains the second highest number of votes and is presented by shareholders who are not connected, even indirectly, with the

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shareholders who presented or voted for the list that obtains the highest number of votes shall be elected as alternate auditors;

- in the event of a tie between several lists, a ballot shall be held;
- if, as a result of the voting, the Board of Statutory Auditors is not composed of the minimum number of auditors established by law of the least represented gender, the candidate of the most represented gender, elected as last in progressive order from the list that has obtained the highest number of votes, will be replaced by the first candidate in progressive order from the same list belonging to the least represented gender not elected pursuant to the preceding paragraphs; if in this way the minimum number of auditors of the least represented gender established by law is not reached, the aforesaid replacement also works for the candidates of the list that obtained the second highest number of votes.

(B) If only one list is submitted, the entire Board of Statutory Auditors shall be taken from that list, if it obtains the majority required by law for the ordinary shareholders' meeting.

(C) For the appointment of those auditors who for any reason could not be elected by the procedure provided for in the preceding paragraphs or in the event that no lists are presented, the shareholders' meeting shall resolve according to the majorities required by law.

In the event of early termination for any reason of the appointment of a standing auditor, the first alternate auditor belonging to the same list as the outgoing auditor shall take over until the next shareholders' meeting. In the event of replacement of the Chairperson, the position shall be taken, until the next Shareholders' Meeting, by the alternate member taken from the list that received the second highest number of votes or, in the absence of such list or in the event of a tie between two or more lists, by the first standing auditor on the list of the outgoing Chairperson. If the board of statutory auditors is not completed with the alternate statutory auditors, the shareholders' meeting must be called to elect one with the majorities required by law.

14. Composition and functioning of the Board of Statutory Auditors

The Board of Statutory Auditors of the Company, which was appointed by the Shareholders at a Meeting held on June 15, 2017, and subsequently supplemented at an Ordinary Shareholders' Meeting on April 16, 2018, is composed of five members as follows: Franco Guido Roberto Fondi in his capacity as Chairman of the Board of Statutory Auditors, Paolo Redaelli and Laura Acquadro as standing auditors and Filippo Annunziata and Andrea Polizzi as alternate auditors for a period of three financial years until the approval of the financial statement on December 31, 2019.

Please refer to Table 3 (Structure of the Board of Statutory Auditors) for information on the structure of the Company's Board of Statutory Auditors. The following is a summary of the professional profiles of the members of the new Board of Statutory Auditors.

Franco Guido Roberto Fondi - Born in Milan on May, 15 1952, he graduated in Business Administration at Bocconi University in Milan and is a chartered accountant. He is a founding and current partner of a firm operating in the field of tax and corporate consultancy specialising in particular in the field of financial intermediaries and collaborates with some trade associations (Assosim and AIPB) on issues of interest to operators in the sector. He has held the position of chairman of the board of statutory auditors and standing auditor in various companies both in the financial sector (including Kairos SGR, Banca Albertini Spa, Diners Club Italia Spa) and in the industrial and commercial sector (including Philips Spa, Canon Italia Spa, Gaggia Spa). Mr. Fondi is also a member of the Supervisory Body of Unicredit Spa and of Banca Farmafactoring Spa.

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Paolo Redaelli - Born in Carate Brianza on August 11, 1975, he graduated in Business Administration at Bocconi University in Milan then completed his academic training by obtaining a master's degree in tax law from the same university and is qualified as a chartered accountant and auditor. In 2000 he began working with the Studio Spiniello Commercialisti Associati and became a partner of the firm in 2014. In his professional activity he mainly deals with tax consultancy for medium to large-sized groups operating in the industrial, real estate, financial and services sector; he is also responsible for drawing up financial statements and consolidated financial statements, sworn appraisals, company and asset valuations as well as providing consultancy in extraordinary operations, company reorganisations and tax clearance applications. During his career he has served as statutory auditor, sole director and liquidator in numerous companies, and has also written a number of specialised publications.

Laura Acquadro - Born in Milan on December 1, 1967, she graduated with honours in Economics at Bocconi University in Milan and also graduated with honours in law at the State University of Milan. She is qualified as a chartered accountant and statutory auditor. As a partner of Studio Acquadro e Associati in Milan, she provides corporate and tax consulting services at a national and international level, as well as assistance in extraordinary corporate transactions and corporate valuations, with specific expertise in the real estate sector. Ms. Acquadro also holds the office of auditor, amongst others, in the following companies: Equita SIM, Spig S.p.A., Jcoplastic S.p.A., Dom 2000 S.p.A., Alem S.p.A., Metalcolor S.p.A., Finbot S.p.A., Ferrari Meccanica S.p.A., Immobiliare Cavour Corsico S.p.A., Metalimmobiliare S.p.A., Fondazione VIDAS and Associazione Teatri di Milano. She is currently a member of the following boards of directors: Società Finanziamenti Vari S.r.l., Immobiliare Tibaldi S.r.l. Edilnovanta S.p.A., Centro Alto Milanese S.r.l., T.P.2 S.r.l., Fenicia Immobiliare S.r.l. and Società Immobiliare Tangenziale Paullese S.r.l.

Filippo Annunziata - Born in Milan on August 20, 1963, he is Professor of Financial Market Law at the Bocconi University of Milan. He is also a member of the board of professors of the Ph.D. in Economic Law, a founding member of the Observatory on European Commercial Law at Bocconi University, and a fellow member of the Paolo Baffi-CAREFIN Research Centre at the same University. He is a member of the Academic Board of the European Banking Institute in Frankfurt. He is a founding member of AC Group - Annunziata & Conso, a network of professionals working in the field of legal advice with offices in Milan, Lugano and Rome, as well as a general partner of the firm "ACFirm" based in Milan (formerly founder of the firm Annunziata e Associati in 2001). He has held numerous positions as an independent director and statutory auditor in companies, including listed companies, banking and financial intermediaries. He has held numerous positions by appointment of the competent authorities (Bank of Italy - Ministry of Economy), among them as liquidator of Nuova Breda Fucine S.p.A. in administrative compulsory liquidation, Otobreda Finanziaria S.p.A. in administrative compulsory liquidation, Finanziaria Ernesto Breda S.p.A. in administrative compulsory liquidation, special administrator of IGM Sgr S.p.A., Controlfida SIM S.p.A., Borgonuovo SIM S.p.A., Mobilmat IMEL S.p.A., liquidator of Bregliano SIM S.p.A. in administrative compulsory liquidation, member of the Supervisory Committee of Eagle SIM S.p.A. in administrative compulsory liquidation. He is the author of a long series of publications on corporate, banking and financial matters, and is a member of the editorial committees of the "Rivista delle Società" and the "Rivista di diritto societario". He teaches in the courses of Musicology at the University of Milan, and is the author of several publications on historical and musical subjects.

Andrea Polizzi - Born in Milan on April 2, 1970, he graduated in Law at the Università Cattolica del Sacro Cuore in Milan. He completed his academic training by obtaining a PhD in domestic and international commercial law at the same university. He has been a member of the Milan Bar Association since 2003 and

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has worked with numerous Italian law firms, becoming the name partner of the law firm D'Argenio Polizzi Associati since 2015. In his professional activity he mainly deals with consulting in the field of insurance, banking and financial regulation. During the course of his career, he has served as Chairperson of the board of statutory auditors, as statutory auditor, and as member of the supervisory body of numerous companies. He is the author of numerous scientific publications in his fields of activity.

The new Board of Statutory Auditors was elected without applying the list voting system as described above, which will take effect from the first renewal of the Board of Statutory Auditors after the Date of Admission to Trading.

During the financial year 2018, the Board of Statutory Auditors held 6 meetings, with an average duration of roughly 2 hours for each meeting.

In the current financial year the Board of Statutory Auditors has met twice at the date of this Report and at least 6 meetings are planned for the current year. The Chairman and / or standing statutory auditors also attended the meetings of the various Committees (Control and Risk Committee, Remuneration Committee, Related Parties Committee).

On September 5, 2018, the Board of Statutory Auditors, in anticipation of the listing of the Company's shares on the MTA, STAR segment, and in compliance with the provisions of the Code of Conduct, verified for its members the existence of the independence requirements provided for by the Code of Conduct. Subsequently, on March 13, 2019, the Board of Statutory Auditors verified the continued existence of the requirements for the office and verified (with respect to what had already been done at the meeting held on September 5, 2018) the existence of the requirements of independence for its members, also on the basis of the criteria set out in the Code of Conduct.

At its meeting of March 13, 2019, the Board of Statutory Auditors also completed a process of self-assessment. The Board of Statutory Auditors meets on the initiative of any of the Auditors. The Board is validly constituted with the presence of the majority of the Auditors, and resolves by an absolute majority of the persons in attendance.

15. Relations with shareholders

In accordance with the recommendations of application criterion 9.C.1 of the Corporate Governance Code, on July 26 2018 the Board of Directors confirmed Mr. Andrea Graziotto in his capacity as Investor Relator, i.e. the person in charge of managing relations with shareholders. Mr. Graziotto's appointment as Investor Relator became effective on the Start Trading Date of Securities.

For further information, please refer to the "Investor relations" section of the website www.equitagroup.eu.

16. Shareholders' meetings

Both ordinary and extraordinary shareholders' meetings are held on a single call, pursuant to article 2369, paragraph 1, of the Italian Civil Code, but the Board of Directors may, if it deems it appropriate and giving an express indication of it in the notice of call, establish that the shareholders' meeting (ordinary and/or extraordinary) be held on several calls, applying in this case the majorities required by law for shareholders' meetings held on several calls of companies with shares traded on regulated markets.

The competence to call the shareholders' meeting lies with the Board of Directors, without prejudice to the power of the Board of Statutory Auditors or of at least two members of the same to call the meeting, in accordance with article 151 of TUF and other applicable laws and regulations.

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Pursuant to Article 10 of the Bylaws, the entitlement to attend the Shareholders' Meeting and exercise the right to vote is certified by a communication to the Company made by the intermediary authorised to keep the accounts in accordance with the law, on the basis of the evidence in its accounting records relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting on a single call (or on first call, if any subsequent calls are indicated in the notice of call), and received by the Company within the terms required by law.

Those who have the right to vote may be represented at the shareholders' meeting in accordance with the law, by means of a written proxy issued in accordance with the procedures provided for by the applicable laws and regulations.

The Company may designate, for each shareholders' meeting, with an indication contained in the notice of call, a person to whom shareholders may grant a proxy with voting instructions on all or some of the items on the agenda, within the terms and in the manner prescribed by law.

The meeting may also be called outside the municipality where the registered office is located, provided that it is in Italy.

The shareholders resolve, in ordinary and extraordinary sessions of the meeting, on the matters reserved for them by law, regulations and bylaws with the majorities established by law and bylaws.

The Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors. In the event of his/her absence or impediment, the meeting is presided over by the Vice Chairperson, if appointed, or, in the event of his absence or impediment, by the Chief Executive Officer. In the event of absence or impediment of all the persons indicated above, the meeting is chaired by the person appointed by those present, by a majority of the votes represented at the meeting.

Pursuant to art. 10 of the Articles of Association, the person who presides over the shareholders' meeting designates the person drawing up the minutes. The minutes of the extraordinary shareholders' meeting must be drawn up by a notary public.

The minutes of the meeting must drawn up in accordance with Article 2375 of the Italian Civil Code and other applicable laws and regulations.

17. Other corporate governance practices

The Company has not adopted any corporate governance practices other than those provided for by the laws and regulations in force.

18. Changes since relevant year-end

From the end of the financial year that ended on December 31, 2018 up to the date of this Report, there have been no other changes in the corporate governance structure than those indicated in the Paragraphs of this Report.

19. Considerations regarding the letter dated 21 December 2018 from the Chairman of the Corporate Governance Committee

A letter from the Chairman of the Corporate Governance Committee dated December 21, 2018 was distributed to the members of the Board of Directors and the Board of Statutory Auditors and was discussed at the meeting of March 13, 2019 as a follow-up to the self-assessment process and in the context of the discussion of this Report.

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This letter contains recommendations to fill any gaps in the application of the Corporate Governance Code, in order to promote the evolution of corporate governance by all Italian listed companies according to the principles of the Corporate Governance Code, regardless of their formal adherence to it.

The letter is available on the following website: <https://www.borsaitaliana.it/comitato-corporate-governance/documenti/comitato/letterapresidente2018.pdf>.

With particular reference to the areas in which issuers were urged to better adhere to the recommendations of the Stock Exchange Corporate Governance Committee, the following should be noted:

1. With reference to Recommendation 1, the Company, as indicated in Paragraph 4.4, considers as adequate the information received before meetings of the Board of Directors during the financial year, which was shown to be positive, as emerged also during the self-assessment process. The Chairman of the Board of Directors however asked the Chief Executive Officer, also following observations made by a director, to communicate to the competent Company functions the wish to make the documentation relating to Board meetings available earlier, where this is possible;
2. With reference to Recommendation 2, the Company considers the level of independence of the members of its governance bodies to be adequate. This was further examined and assessed during the process of listing on the MTA. In particular, the Company believes that it has rigorously applied the criteria established by the Code of Conduct, as demonstrated by the fact that the Vice-Chairman of the Board of Directors, Thierry Portè, has been recognized as having the requisite of independence only pursuant to art. 148, paragraph 3, of the TUF (as referred to in art. 147-ter, paragraph 4, of the TUF) and not also pursuant to art. 3 of the Code of Conduct, as he was a director of Equita SIM S.p.A. for more than nine years in the last twelve years;
3. With reference to Recommendation 3, the Company reports that it conducted a self-assessment process (the so-called board review) with the support of the Company's Legal and Corporate Affairs Department, which prepared a special questionnaire, the contents and structure of which were discussed and agreed upon with a representative of the Company's independent directors. Following a review by representatives of independent directors, the questionnaire was sent, together with instructions for its completion, to each member of the Board of Directors, who completed it and returned it to the Company. The results of these questionnaires and further assessments regarding, among other things, the self-assessment, were discussed at the Board meetings of February 12, 2019 and March 13, 2019, in order to stimulate interaction between the directors and the possibility for the them to report any issues worthy of further investigation (which did not emerge during the self-assessment in 2019).
4. With reference to Recommendation 4, it is considered, as already pointed out in Paragraph 1 and 9 that, taking into account the composition of the Company's shareholding structure (with 59.7% of the voting rights exercisable at shareholders' meetings held by the Company's management — represented by executives and employees —) and the Lock-up agreements provided for in the Shareholders' Agreements (on this point see Paragraph 2.7), the remuneration policies adopted by the Equita Group are adequate with the pursuit of the objective of sustainability of the company's activities in the medium to long term and alignment of the interests of management and employees with the interests of the Company.

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TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	No. of shares	% of S.C.	Listed (indicate markets)/unlisted	Rights and obligations
Ordinary shares	50,000,000	100%	Q/MTA	Each ordinary share gives the right to one vote.
Multiple voting shares	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (giving the right to subscribe to newly issued shares)				
	Listed (indicate markets)/unlisted	No. of outstanding instruments	Category of shares in service of conversion per year	No. shares in service of conversion per year
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

MAJOR SHAREHOLDINGS			
Registrant	Direct shareholder	% Share of Voting capital	% Share of Voting capital
Vismara Andrea Attilio Mario	AV S.r.l.	6.3	7.0
	Vismara Andrea Attilio Mario		
Perilli Francesco Michele Marco	NetiNeti S.r.l.	11.4	12.5
	Perilli Francesco Michele Marco		
Fenera Holding S.p.A.	Fenera Holding S.p.A.	5	5.5

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TABLE 2: STRUCTURE OF BOARD OF DIRECTORS AND COMMITTEES

Role	Board of Directors													Control and Risks Committee		Remun. Committee:		App. Committee:		Any other Executive Committee	
	Members	Year of birth	Date of first appointment in Equita Group*	Date of first appointment in Equita SIM*	In office since	In office until	List**	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. other assignments ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairperson	Francesco Perilli	1960	18/09/2015	31/07/1991	01/07/17 ⁽¹⁾	Fin. Stat.	-	-	x	-	-	1 ⁽⁴⁾	10/10	-	-	2/2	M	-	-	-	-
Vice-Chairperson of the Board of Directors:	Thierry Porté	1957	01/07/2017	30/07/2009	01/07/17 ⁽¹⁾	Fin. Stat. 2019	-	-	x	-	x	0	8/10	-	-	2/2	M	-	-	-	-
Managing Director ❖	Andrea Vismara	1965	18/09/2015	30/07/2009	01/07/17 ⁽¹⁾	Fin. Stat. 2019	-	x	-	-	-	1 ⁽⁴⁾	10/10	-	-	-	-	-	-	-	-
Director	Stefano Lustig	1965	18/09/2015	25/01/2016	01/07/17 ⁽¹⁾	Fin. Stat.	-	x	-	-	-	0	10/10	-	-	-	-	-	-	-	-
Director	Sara Biglieri	1967	01/07/2017	30/04/2013	01/07/17 ⁽¹⁾	Fin. Stat.	-	-	x	-	-	0	10/10	9/10	M	-	-	-	-	-	-
Director	Michela Zeme	1969	01/07/2017	25/01/2016	01/07/17 ⁽¹⁾	Fin. Stat.	-	-	x	x	x	1	9/10	10/10	C	0/0 ⁽³⁾	M	-	-	-	-
Director	Massimo Ferrari	1961	23/10/2017	-	23/10/201	Fin. Stat.	-	-	x	x	x	3	9/10	8/10	M	2/2	C	-	-	-	-
DIRECTORS LEAVING OFFICE DURING RELEVANT FINANCIAL YEAR																					
Director	Paolo Giorgio Bassi	1950	01/07/2017	19/12/2007	01/07/17 ⁽¹⁾	19/10/2017	-	-	x	-	x	-	-	x	-	-	-	-	-	-	-
Number of meetings held during relevant financial year: 10							Control and Risks Committee 10					Remun. Committee: 2		App. Committee: -			Executive Committee: -				
The quorum required for the submission of lists by the minorities for the election of one or more members (pursuant to Art. 147-ter TUF): -																					

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NOTES

The symbols indicated below must be inserted in the column "Role":

- This symbol indicates the director in charge of the internal control and risk management system.
- ❖ This symbol indicates the main person responsible for managing the issuer (Managing Director or CEO).
- This symbol indicates the Lead Independent Director (LID).

* First appointment date of each director means the date on which the director was appointed for the first time (absolutely) in the Issuer's BoD.

** This column indicates the list from which each director was taken ("M": majority list; "m": minority list; "BoD": list submitted by the BoD).

*** This column indicates the number of assignments of director or auditor covered by the interested party in other companies listed on regulated markets, even foreign, in financial, banking or insurance companies or those of significant dimensions.

(*). This column indicates the attendance of the directors at meetings respectively of the BoD and the committees (indicate the number of meetings s/he attended compared to the total number of meetings s/he could have attended; e.g. 6/8; 8/8 etc.).

(**). This column indicates the qualification of the director within the Committee: "C": Chairperson; "M": member.

(1) Appointed by the Shareholders' Meeting held on June 15, 2017 with effect from July 1, 2017.

(2) Director co-opted by the Board of Directors on October 23, 2017 and confirmed by the Shareholders' Meeting of October 31, 2017, as an independent non-executive member of the Board of Directors, pursuant to Article 2386 of the Italian Civil Code, to replace Paolo Giorgio Bassi, who resigned on October 19, 2017 with immediate effect.

(3) Position taken as of October 2018

(4) Includes the position held in Equita SIM S.p.A., a wholly-owned subsidiary of Equita Group S.p.A.

(Courtesy Translation)

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

Role	Members	Year of birth	Date of first appointment in the Equita Group *	In office since	In office until	List	Indep. Code	Attendance at Board meetings***	No. other appointments****
Chairperson	Franco Guido Roberto Fondi	1952	25/01/2018 ⁽¹⁾ as Chairperson of the Board of Statutory Auditors	25/01/2018 ⁽¹⁾	Fin. Year 2019	-	X	6/6	22 ⁽⁴⁾
Statutory auditor	Paolo Redaelli	1975	21/09/2015 as Standing Auditor	15/06/2017	Fin. Year 2019	-	X	6/6	15
Statutory auditor	Laura Acquadro	1967	01/07/2017 ⁽²⁾	15/06/2017	Fin. Year 2019	-	X	6/6	30
Alternate auditor	Filippo Annunziata	1963	25/01/2018 ⁽³⁾	16/04/2018	Fin. Year 2019	-	-	-	9
Alternate auditor	Andrea Polizzi	1970	01/07/17 ⁽²⁾	15/06/2017	Fin. Year 2019	-	-	-	5
AUDITORS LEAVING BOARD DURING RELEVANT FINANCIAL YEAR									
Chairperson	Francesco di Carlo	1969	01/07/17 ⁽²⁾	-	01/07/17 ⁽²⁾	25/01/2018	-	4/4	-
Number of meetings held during relevant financial year: 6									
Indicate the quorum required for the submission of lists by the minorities for the election of one or more members (pursuant to Art. 148-ter TUF) -									

NOTES

* Date of first appointment of each auditor means the date on which the auditor was appointed for the first time (absolutely) in the issuer's board of auditors.

** This column indicates the list from which each auditor was taken ("M": majority list; "m": minority list).

*** This column indicates the attendance of the auditors at meetings of the board of auditors (indicate the number of meetings he/she attended compared to the overall number of meetings he/she could have attended; e.g.. 6/8; 8/8 etc.).

****This column indicates the number of assignments as director or auditor covered by the interested party in accordance with Art. 148(2) of the TUF and the respective implementing provisions contained in the CONSOB Issuers' Regulation. The complete list of assignments is published by CONSOB on its internet website in accordance with Art. 144, point 15, of the CONSOB Issuers' Regulation.

(1) Following the resignation of Francesco Di Carlo, Chairman of the Board of Statutory Auditors, on December 18, 2017, with effect from January 25, 2018, Dr. Franco Guido Roberto Fondi was appointed Statutory Auditor and Chairman of the Board of Statutory Auditors by Shareholders at the April 16, 2018 Meeting

(2) Appointed by the Shareholders at the Meeting held on June 15, 2017 with effect from July 1, 2017

(3) Following the resignation of Francesco di Carlo, Chairman of the Board of Statutory Auditors, on December 18, 2017, with effect from January 25, 2018, Shareholders appointed Prof. Filippo Claudio Annunziata at the April 16, 2018 Meeting as Alternate Auditor of the Company to complete the Board of Statutory Auditors.

(4) It should be noted that out of a total of 22 appointments held by Dr. Fondi, two are held as a member of the Supervisory Board pursuant to Legislative Decree no. 231/2001.

(Courtesy Translation)