

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

in accordance with article 123-*bis* of the TUF

(Traditional management and control model)



Financial year to which the Report refers: 2018

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This Annual Financial Report as of 31 December 2018 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document

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GLOSSARY

Code / Corporate Governance Code: The Corporate Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria; available at www.borsaitaliana.it, in the section “Borsa Italiana/Rules/Corporate Governance”.

Civil Code / CC: the Italian Civil Code.

Board / Board of Directors / Administrative Body: the Board of Directors of the Issuer.

Issuer / Company / Immsi: the Issuer of listed securities to which the Report refers.

Financial year: the financial year to which the Report refers.

Consob Regulation on Issuers or Issuer Regulation: the Regulations issued by Consob by Resolution no. 11971 of 1999 (and amendments thereto) concerning Issuers.

Consob Regulation on Markets or Markets Regulation: the Regulations issued by Consob by Resolution no. 20249 of 2017 (and amendments thereto) concerning markets.

Consob Regulation on Transactions with Related Parties or Related-Party Transactions Regulation: the regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) concerning transactions with related parties.

Report: the report on corporate governance and ownership which companies are obliged to prepare pursuant to art. 123-*bis* of the TUF.

Remuneration Report: the remuneration report prepared pursuant to article 123-*ter* of the TUF and article 84-*quater* of the Consob Regulation on Issuers, available pursuant to legislation at the registered office of the Company, on the website of the Issuer at www.immsi.it, in the section *Governance/General Meeting/Archive*, and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

TUF (Consolidated Law on Finance): Italian Legislative Decree no. 58 of 24 February 1998.

1. ISSUER PROFILE

Immsi is organised following the traditional management and control model established in article 2380-*bis* and following of the Civil Code, with a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

In particular, the Company's purpose is: (i) investing in the equity of other Italian or foreign companies, i.e. the activity of acquiring, holding and managing the rights, whether represented by securities or not, over the share capital of other companies; (ii) the purchase, sale and management of bonds; (iii) the granting of loans, mortgages and guarantees. The above-mentioned activities may not be conducted with the public and will be in any event carried out pursuant to and within the limits of Italian Legislative Decree 385/1993 and its implementing rules.

Moreover, the Company's purpose includes all activities and transactions in the property sector, both in Italy and abroad, on its own behalf and for third parties, including but not limited to, the purchase, sale, exchange, construction, restructuring, management of corporate assets, leasing (non-finance) and maintenance of buildings and property in general for all types of use, as well as the establishment, purchase, sale and exchange of rights relating to property, excluding the activity of real estate brokerage. The Company may also provide technical, commercial and financial assistance in the preliminary and executive phases of property projects.

The Company may carry out the above activities directly and indirectly on its own behalf and for third parties, including accepting and/or assigning contracts or concessions and development ventures in the property field.

The Issuer may carry out, not directly with the general public, all those acts necessary, in the judgement of the Board of Directors, to implement the corporate purpose.

In particular, the Company may be classified as an SME in accordance with article 1, paragraph 1, letter *w-quater*.1) of the TUF and article 2 of the Consob Regulation on Issuers.

2. INFORMATION ON CORPORATE OWNERSHIP (pursuant to article 123-*bis*, paragraph 1 of the TUF) at 31/12/2018

a) Share capital structure (pursuant to article 123-*bis*, paragraph 1, letter a) of the TUF)

The share capital of the Issuer, fully subscribed and paid up, is equal to €178,464,000 divided into 340,530,000 dividend-bearing ordinary shares, with no indication of the nominal value. The shares - each share gives entitlement to one vote - are indivisible and are issued in a dematerialised form.

See Table 1 in the appendix, which includes information updated at 31/12/2018 and at the date of this Report.

b) Restrictions on the transfer of securities (pursuant to article 123-*bis*, paragraph 1, letter b) of the TUF)

There are no securities transfer restrictions.

c) Significant holdings in the share capital (pursuant to article 123-*bis*, paragraph 1, letter c) of the TUF)

For indirect or direct material investments in capital, as resulting from disclosure made pursuant to article 120 of the TUF and specific information received by the Issuer, see Table 1, in the index, which includes information updated at 31/12/2018 and at the date of this Report.

d) Securities with special rights (pursuant to article 123-*bis*, paragraph 1, letter d) of the TUF)

No securities have been issued that give special rights of control or special powers.

The articles of association of the Issuer do not contain provisions relating to the increased vote pursuant to art. 127-*quinquies* of the TUF.

e) Employee share ownership: mechanism of exercising voting rights (pursuant to article 123-*bis*, paragraph 1, letter e) of the TUF)

No system for employees' equity holdings exists.

f) Restrictions on voting rights (pursuant to article 123-*bis*, paragraph 1, letter f) of the TUF)

There are no restrictions on voting rights.

For more details, see the information in section 16 of this Report.

g) Significant shareholder agreements (pursuant to article 123-*bis*, paragraph 1, letter g) of the TUF)

No agreement in force exists involving material shares of the Issuer in accordance with article 122 of the TUF.

h) Clauses of change of control (pursuant to article 123-*bis*, paragraph 1, letter h) of the TUF) and statutory provisions concerning IPOs (pursuant to article 104, paragraph 1-*ter*, and 104-*bis*, paragraph 1 of the TUF)

The Issuer has stipulated some significant agreements that could be amended or terminated in the event of changes in control of Immsi S.p.A., such as: a Bullet - Multi Borrower loan agreement in effect at 31 December 2018 for a total of €130 million, of which €87.7 million disbursed to Immsi S.p.A., €30 million to ISM Investimenti S.p.A. and €12.3 million to Intermarine S.p.A.; a mortgage loan agreement for a residual nominal value of approximately €31.5 million; further loan agreements and credit lines for a total nominal value of approximately €120 million.

The Piaggio group has signed significant agreements that may be modified or extinguished in the event of changes to the ownership of the contracting company. Specifically the following agreements have been made: a contract for a syndicated term loan and revolving credit facility for a total of €250 million; a debenture loan of €250 million issued by Piaggio & C. S.p.A.; a debenture loan of 75 million USD issued by Piaggio & C. S.p.A.; a debenture loan of €30 million issued by Piaggio & C. S.p.A.; a loan agreement with the European Investment Bank for €60 million; a loan agreement with the European Investment Bank for €70 million; a syndicated term loan and revolving credit facility with Banca Popolare di Milano totalling €25 million; a loan agreement with Banca Popolare Emilia Romagna for €25 million; a revolving credit facility with Banca del Mezzogiorno MedioCredito Centrale for €20 million; a loan agreement with Banca del Mezzogiorno MedioCredito Centrale totalling €10 million; a loan agreement with Banco Ifis totalling €10 million. a loan agreement with Banca Popolare Emilia Romagna for €20 million;

With regard to the subsidiary Intermarine S.p.A.,¹ the following significant agreements are noted that may be modified or extinguished in the event of changes to the ownership of the contracting company. In particular: an unsecured line of credit (for a total value of USD 84.5 million and used at 31 December 2018 for USD 3.8 million) valid on the contract with the Sultanate of Oman, guaranteed by a pool of banks; a guarantee for an amount of €2.7 million issued by BPM for the Pietra Ligure project and additional credit lines and financing associated with the company's operations for a total amount used as of 31 December 2018 of €56.8 million, including the aforesaid share of the Bullet –

¹ Intermarine S.p.A. is wholly owned by RCN Finanziaria S.p.A., which in turn is controlled by the Issuer that has a 63.18% stake.

Multiborrower loan issued to Intermarine S.p.A. for an amount of €12.3 million.

The subsidiary Is Molas S.p.A.² also has a loan agreement with Banca Monte dei Paschi di Siena for a residual nominal amount of €19 million, with early repayment mandatory in the event of a change in control of the investee.

Lastly, i) as part of investments in other businesses operated by the Issuer and ii) as used in order to regulate and discipline governance with any minority shareholders of some of the companies in which Immsi S.p.A. directly or indirectly has investments, shareholders' agreements have been stipulated with these Shareholders and/or loans given by the above Shareholders to investee companies giving the contracting parties special rights (*inter alia* pre-emption rights, tag-along rights, tag-along obligations) in the event of a change in direct and/or indirect control of the investee company.

The provisions of the Articles of Association of the Issuer do not affect the passivity rule established by article 104, paragraphs 1 and 1-*bis* of the TUF. In addition, the Articles of Association of the Issuer do not provide for the application of neutralisation as of article 104-*bis*, paragraphs 2 and 3 of the TUF.

i) Powers to increase share capital and authorisation to purchase treasury shares (pursuant to article 123-*bis*, paragraph 1, letter m) of the TUF)

The Extraordinary Shareholders' Meeting of 13 May 2014 resolved to give the Board of Directors the following powers (i) and (ii) alternatively among them:

(i) pursuant to article 2443 of the Civil Code, to increase, on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum nominal amount of €500,000,000, through the issue, with or without a share premium, of new ordinary shares having the same characteristics as those already in issue, to be offered as stock options to those entitled;

(ii) pursuant to article 2443 and 2420-*ter* of the Civil Code, to increase, on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum nominal amount of €500,000,000, to use as follows:

- a) for a maximum amount of €250,000,000, for bonds convertible into ordinary shares, with or without warrants, to issue in compliance with the option right of those entitled. The Board of Directors is therefore given, pursuant to article 2420-*ter* of the Civil Code, the right to issue on one or more occasions, in compliance with the option right, bonds convertible into ordinary shares having the same characteristics as those already in issue, with or without warrants, within a period of five years from the date of the resolution, for a maximum amount of €250,000,000 and, in any case, for amounts that, within the above limit, do not exceed the limits set by law for issuing bonds; and

- b) for a maximum nominal amount of €250,000,000, as well as any remaining amount, if the convertible bonds as of point a) above are not issued using the entire amount above, by issuing, with or without a share premium, new ordinary shares having the same characteristics as those in issue, to be offered as stock options to those entitled.

The Board may determine from time to time, in exercising the aforesaid powers, in compliance with the option right of those entitled and with procedures of laws as applicable, and within the above limits, the amount of the increase in capital (and/or of single tranches), the issue price (including any share premium) of new ordinary shares, taking account of market trends and practices of similar operations, and the times, methods and conditions of the offer under option; as well as the amount of the convertible loan stocks that can be converted into ordinary shares, with or without warrants, and of the increase in capital to service them, the procedures, terms and conditions of the issue of

² Is Molas S.p.A. is owned by ISM Investimenti S.p.A. with a 92.59% stake, which in turn is controlled by the Issuer that has a 72.64% stake.

the debenture loans (including the share exchange ratio and bond conversion methods; the interest rate, expiry and methods of repayment, also in advance, the characteristics, terms and the conditions of the issue of warrants) and relative regulations and/or the regulation of combined warrants, and, more in general, define the terms and conditions of the increase in capital and the operation as a whole.

The Board of Directors will also have powers for all obligations and necessary formalities to allow the newly issued financial instruments to be admitted to trading.

During the year, none of the above powers were exercised.

With a resolution passed on 10 May 2018, the Ordinary Shareholders' Meeting authorised the purchase and allocation of treasury shares, pursuant to articles 2357 and 2357-*ter* of the Civil Code, as well as article 132 of the TUF and relative implementing provisions, subject to withdrawal of the authorisation granted by the Ordinary Shareholders' Meeting on 12 May 2017. Purchase authorisation was granted for the 18-month period as of the date of the above resolution, whereas authorisation for placing was granted with no time limits.

The objective of the authorisation for the purchase and disposal of treasury shares is to give the Company a strategic investment opportunity for all purposes allowed by applicable regulations, including the purposes referred to in article 5 of Regulation (EU) No 596/2014 (Market Abuse Regulation, hereinafter "MAR") and according to practices permitted by article 13 of the MAR, including the purchase of treasury shares based on their subsequent annulment, according to terms and procedures to be decided by competent company boards.

This authorisation was requested for the purchase, also in several tranches, of ordinary shares of Immsi up to a maximum number which, considering the ordinary shares of Immsi held from time to time by the Company and by its subsidiaries, as applicable, is not more than the maximum limit established by applicable *pro tempore* regulations. Purchases may be undertaken according to procedures established in applicable provisions of Consob Regulation 11971/1999 (as amended) implementing article 132 of the TUF, in compliance with conditions relative to trading as of article 3 of Regulation 1052 and within a time frame deemed appropriate in the interests of the Company. As regards the consideration, the Board of Directors proposes that treasury shares are purchased in compliance with the trading conditions established in article 3 of Commission Delegated Regulation (EU) 2016/1052 ("**Regulation 1052**") in compliance with the MAR, where applicable. In particular, purchases may be made for an amount that is no higher than the highest price between the price of the last independent transaction and the highest independent offer price in the trading venues where the purchase is made, provided that the unit amount is at least a minimum of 20% and a maximum not exceeding 10% of the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase transaction.

The Shareholders' Meeting also authorised the use, pursuant to article 2357-*ter* of the Civil Code, at any time, entirely or partially, on one or several occasions, of treasury shares purchased according to the aforesaid resolution or in any case in the Company's portfolio by selling them on the stock exchange or over the counter, also by selling any real and/or personal rights, including but not limited to securities lending, based on the terms, procedures and conditions of the act of disposal of treasury shares considered the most appropriate in the interests of the Company, in compliance with applicable *pro tempore* laws and regulations and in order to achieve the objectives as of the above shareholders' resolution.

During the financial year, no treasury shares were purchased. At 31 December 2018 and at the date of this Report, the Issuer did not hold any treasury shares.

I) Management and coordination (pursuant to article 2497 and following of the Civil Code)

The Issuer is directly and indirectly controlled, in accordance with article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary company Omniainvest S.p.A..

In particular, control of the Issuer does not actually correspond to management and coordination activities attributable to the specific case defined in article 2497 and following of the Civil Code and none of the above entities have a structure or organisation that allows them to carry out said management and coordination activities. Therefore, the Company and, particularly, its Board of Directors make their respective decisions with complete autonomy.

* * *

Please note that:

- the information required by article 123-*bis*, paragraph one, letter i) ("*agreements between the company and directors ... that establish indemnity in case of resignation or dismissal without just cause or if their working relationship ceases following a take-over bid*") is included in the Remuneration Report published pursuant to article 123-*ter* of the TUF and included in section 9 of this Report;
- the information required by article 123-*bis*, paragraph one, letter l) ("*regulations applicable to the appointment and replacement of directors... as well as amendments to the articles of association, if different from legal and regulatory provisions applicable on a supplementary basis*") is explained in section 4.1 of this Board of Directors' Report.

3. COMPLIANCE (pursuant to article 123-*bis*, paragraph 2, letter a) of the TUF)

The Issuer has adopted a corporate governance system in accordance with the main contents of the *Corporate Governance Code*, as indicated in this Report, prepared by the committee for the corporate governance of listed companies, as amended (July 2015) and is available at www.borsaitaliana.it, under *Borsa Italiana/Rules/Corporate Governance*.

Neither Immsi nor strategically important subsidiaries are subject to non-Italian legal provisions affecting the corporate governance structure of the Company.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (pursuant to article 123-bis, paragraph 1, letter l) of the TUF)

The Articles of Association of the Issuer conform to regulations on the gender balance of company boards pursuant to article 147-ter, paragraph 1-ter of the TUF, as introduced by Law 120/2011, and article 144-undecies.1 of the Consob Regulation on Issuers.

The Company is managed by a Board of Directors comprising no fewer than five and no more than thirteen members appointed by the Shareholders' Meeting.

The Shareholders' Meeting determines the number of Board members as well as the term of their office which cannot be more than three years, and which will expire at the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term of office. They may be reappointed.

According to the Articles of Association, the Directors must meet the requirements of applicable *pro tempore* legislation; a minimum number of Directors, corresponding to the minimum required by law, must meet the independence requirements as of article 148, paragraph 3 of the TUF.

If a Director no longer has the prescribed requisites his term of office shall immediately expire. If a Director no longer meets the independence requirements as of article 148, paragraph 3 of the TUF, he/she will not have to step down, if the minimum number of Directors required by applicable laws meets these requirements.

The Board of Directors is appointed, in compliance with applicable *pro tempore* regulations on gender balance, on the basis of lists presented by the Shareholders with the procedures specified below, in which the candidates must be listed with a progressive number.

The lists presented by the Shareholders, signed by the parties presenting them, must be filed at the Company's headquarters, and made available for any person requesting them, at least twenty-five days before the date set for the Shareholders' Meeting on first call, and are subject to the other types of notification and filing procedures established by applicable *pro tempore* regulations.

Each Shareholder, Shareholders belonging to a significant shareholder agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and entities subject to common control pursuant to article 93 of the TUF, may not present or contribute to the presentation, not even through a third party or trust company, of more than one list, nor may they vote for different lists and each candidate may be included in only one list, otherwise they cannot be elected. Support and votes expressed in breach of this prohibition are not attributed to any list.

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 2.5% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 13 of 24 January 2019, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

Ownership of the shareholding required, pursuant to the above, for the purposes of presenting the list, is established in relation to the shares registered in the name of the Shareholder on the date when the lists are filed with the Issuer; relative certification may also be submitted after the list is filed, provided this is before the deadline for publishing the lists.

Together with each list, within the terms indicated above, (i) statements of the individual candidates accepting their nomination and certifying, under their own responsibility, that causes for ineligibility and incompatibility do not exist, and that they meet the requirements established for respective

positions; (iii) a *curriculum vitae* with the personal and professional characteristics of each candidate, indicating the person's suitability to be qualified as independent, as applicable, must be filed.

Lists with three or more candidates shall ensure that both genders are present, so that candidates of the less represented gender are at least one third of the total (rounding any fractions up to the nearest whole number).

Lists presented without complying with the above provisions are considered as not presented.

The Board of Directors is appointed as follows:

a) the list with the highest number of votes is used for presenting the Directors to elect, bar one, in the consecutive order in which they appear in the list;

b) the remaining Director is taken from the minority list that is not connected in any way, not even indirectly, with entities that presented or voted the list as of letter a) above and that obtained the second highest number of votes. If the minority list as of point b) has not achieved a percentage of votes equal to at least half that required for the presentation of lists, all Directors to be elected will be taken from the list as of point a).

If the candidates elected as above do not ensure the appointment of a minimum number of independent directors as established by article 148 of the TUF, the non-independent candidate pursuant to article 148 of the TUF, elected last in consecutive order in the list that received the highest number of votes, as of letter a) above, is replaced by the first independent candidate pursuant to article 148 of the TUF, according to the consecutive order, not elected in the same list, or, failing this, by the first independent candidate pursuant to article 148 of the TUF, according to the consecutive order, not elected in the other lists, according to the number of votes obtained by each one. This replacement procedure is repeated until the composition of the Board of Directors comprises a number of independent directors pursuant to article 148 of the TUF, equal to at least the minimum number required by law. If this procedure does not achieve the above, a replacement is made with a resolution passed by the Shareholders' Meeting with relative majority, subject to the presentation of candidates that meet the above mentioned requirements.

If, in addition, with the candidates elected in the manner described above, a composition of the Board of Directors compliant with *pro tempore* legislation in force at any time concerning the balance between genders is not ensured, the candidate of the more represented gender elected as last in the sequential order in the list that received the most votes shall be replaced by the first candidate of the less represented gender not elected from the same list according to the sequential order. This replacement procedure is repeated until a composition of the Board of Directors compliant with *pro tempore* legislation in force at any time concerning the balance between genders has been ensured. If the aforesaid procedure does not ensure the last result indicated above, the replacement will take place by resolution passed by the Shareholders' Meeting by relative majority subject to the presentation of candidates belonging to the less represented gender.

If only one list is presented or if no list is presented, the Shareholders' Meeting resolves with the majorities established by law, save for compliance with applicable *pro tempore* regulations on gender balance.

If during the year one or more vacancies occur on the Board, the procedure established in article 2386 of the Civil Code shall be adopted according to the following indications, provided that the majority always consists of Directors appointed by the Shareholders' Meeting:

a) the Board of Directors replaces the vacancy, electing a person from the same list as the former director and the Shareholders' Meeting resolves with the majorities established by law, complying with the same criterion;

b) where no unelected candidates remain on the candidate list, or where for any reason whatsoever the provisions of point (a) above cannot be met, the Board of Directors replaces the director, as

subsequently resolved by the Shareholders' Meeting, with majorities established by law, without voting for the list.

In any case the Board of Directors and the Shareholders' Meeting will appoint the director so that (i) the minimum number of independent directors pursuant to article 148 of the TUF is appointed as required by applicable *pro tempore* applications and (ii) applicable *pro tempore* regulations on gender balance are complied with.

If there is no longer a majority of Directors, due to resignations or other causes, the entire Board is considered as having resigned and shall cease to hold office from the time when the Board of Directors has been re-established following acceptance by at least half the new Directors appointed by the Shareholders' Meeting, that shall be called on an urgent basis.

Given the organisational structure of the Issuer, as well as the practice of assigning the position of Executive Director to persons who have gained significant experience within the Company or to persons who have gained experience in sectors in which the Issuer operates, the Board of Directors deemed it unnecessary, most recently during the meeting of 25 March 2019, to adopt a plan for the succession of Executive Directors, with the right to make different evaluations in the future.

4.2. COMPOSITION (pursuant to article 123-*bis*, paragraph 2, letters d) and d-*bis* of the TUF)

The Board of Directors, in office until 10 May 2018, comprised 9 members appointed by the Ordinary Shareholders' Meeting of 13 May 2015.

The Board of Directors of the Issuer, in office at the date of this Report, comprises 11 members appointed by the Ordinary Shareholders' Meeting of 10 May 2018.

The Board, appointed on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., was elected with a percentage of votes presenting 99.237% of shares with voting rights and will remain in office until the date when the Shareholders' Meeting is convened to approve the Financial Statements for the year ending 31 December 2020.

For more information on the list filed for the appointment of the Management Body, see the website of the Issuer, and the section "*Governance/Shareholders' Meeting/Archive/2018*" or in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

The professional curricula of Board Directors are filed at the registered office of the Company and are available on the website of the Issuer, in the section "*Governance/Management*".

Board Directors in office meet the requirements established in the articles of Association and of applicable laws and regulations.

See Table 2 in the appendix.

As regards company policies on diversity concerning members of the Board of Directors in office in reference to aspects such as age, gender and educational and professional background (article 123-*bis*, letter d-*bis*) of the TUF: (i) the Board of Directors of the company comprises 3 directors of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 42 to 75 years; (iii) the educational and professional backgrounds of the directors ensure a balanced combination of member profiles and experiences within the administrative body, with members selected in order to ensure that all functions thereof are executed correctly.

Moreover, as regards the Board of Directors currently in office, the reports prepared pursuant to article 125-*ter* of the TUF, with reference to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements as of 31 December 2017, included some indications for Shareholders - also pursuant to criterion 1.C.1. letter h) of the Corporate Governance Code concerning the diversity policy adopted for company boards.

Pursuant to article 20 of the Articles of Association, the Chairman, or anyone acting on his behalf, shall convene a meeting of the Board of Directors, at the registered office of the Company or in another location, whenever deemed necessary in the interests of the Company or when requested by three Board members.

Board meetings will be convened in writing, with notice also sent by fax, telegram or email to Board members in office and to the Statutory Auditors, at least five days before the date set for the meeting, or, in urgent cases, with the same procedure, but with minimum notice of six hours.

Directors may take part in Board Meetings also by teleconferencing and/or video conferencing, provided that all those entitled to take part are able to do so and may be identified and can follow the meeting and intervene in real time as regards items being discussed. If these conditions are met, the Board Meeting shall be considered as having taken place in the location where the Chairman and Secretary of the meeting are present, in order to take the minutes, which are signed by both the Chairman and Secretary.

Pursuant to article 22 of the Articles of Association, in order for resolutions of the Board of Directors to be valid, the majority of Board members in office shall be present. Resolutions will be passed by the absolute majority of those present.

Maximum number of offices held in other companies

Each member of the Board of Directors shall make informed decisions, independently, pursuing the objective of creating value for Shareholders, and in his/her position held in the Company shall spend the time necessary to ensure functions are duly carried out, irrespective of other positions held outside the Immsi Group, aware of the responsibilities of his/her office.

For this purpose, each Director shall have evaluated, when accepting the position at the Company and regardless of limits established by law and by regulations on the number of positions that may be held, his/her ability to carry out assigned duties diligently and effectively, considering in particular the total commitment required of other positions outside the Immsi Group.

Each member of the Board of Directors shall also inform the Board of any positions as Director or Statutory Auditor in other companies, in order to comply with disclosure obligations established by applicable laws and regulations.

In the meetings of 21 March 2018 and 25 March 2019, the Board decided not to define general criteria regarding the maximum number of administration and control positions that may be held in other companies, that may be considered as compatible with effectively holding the position of Director of the Issuer, without prejudice to the fact that each Director shall assess the compatibility of positions of Director and Statutory Auditor held in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale, diligently conducting the duties assigned to them as Board Director of the Issuer.

In the meeting of 10 May 2018 (after the new Board took up office), and in the meeting of 25 March 2019, the Board, after reviewing positions currently held by its Directors in other companies, considered that the number and type of positions held does not cause any interference and is therefore compatible with effectively carrying out duties as Director of the Issuer.

In addition, the majority of Board Members of the strategic subsidiary Piaggio & C. S.p.A. does not hold Administrative and/or Managerial positions in the Parent Company Immsi S.p.A.

The table below lists the administration and control positions held, at 31 December 2018, by the members of the Board of Directors, in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale.

Full name	Company	Administration and control positions
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Roberto Colaninno	Piaggio & C. S.p.A.* Omniaholding S.p.A.* Omniainvest S.p.A.* Piaggio Fast Forward Inc.* RCN Finanziaria S.p.A.* Intermarine S.p.A.*	Chairman BoD and Chief Executive Officer Chairman of the Board of Directors Chairman of the Board of Directors Member of the Advisory Board Director Director
Michele Colaninno	Omniaholding S.p.A.* Omniainvest S.p.A.* ISM Investimenti S.p.A.* Piaggio Fast Forward Inc.* Piaggio & C. S.p.A.* ACEM (Association des Constructeurs Européens de Motocycles) Intermarine S.p.A.* Is Molas S.p.A.* RCN Finanziaria S.p.A.* Immsi Audit S.c.a r.l.*	Chief Executive Officer Chief Executive Officer Chairman of the Board of Directors Deputy Chairman of the Board Director with powers Deputy Chairman Director Director Director Director
Daniele Discepolo	Ciano Trading & Service S.r.l. Pianoforte Holding S.p.A. Simest S.p.A. Melville S.r.l. La Madonnina S.p.A. – Companies of Gruppo Ospedaliero San Donato Esaoe S.p.A. Hotel Lido Uno Gestione S.r.l. Fondazione Filarete per le Bioscienze e l'Innovazione Gruppo Argenta S.p.A. Credito di Romagna S.p.A. Iniziativa Logistiche S.r.l. Illa S.p.A. Sorgenia S.p.A. Manzoni S.r.l. Savio Macchine Tessili S.p.A. Livingston S.p.A. in extraordinary administration Meraklon S.p.A. and associates Meraklon Yarn S.r.l. Valtur S.p.A. and associates Alitalia S.p.A. – Società Aerea Italiana and Alitalia - CityLiner Coop. Commissionaria Valtrumplina Co.Va.C. – Soc. Coop. a r.l. Gruppo Stabila – De Roma in extraordinary administration	Chairman of the Board of Directors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Supervisory Board Chairman of the Supervisory Board Chairman of the Supervisory Board Chairman of the Supervisory Board Director Director Director Director Auditor Auditor Special Administrator Special Administrator Special Administrator Member of the trio of Special Administrators Member of the trio of Special Administrators Official Liquidator Chairman of the Supervisory Committee
Matteo Colaninno	Omniaholding S.p.A.* Piaggio & C. S.p.A.* Omniainvest S.p.A.*	Deputy Chairman and Chief Executive Officer Deputy Chairman Director
Rita Ciccone	Ei Towers S.p.A. 2i Rete Gas S.p.A. Irideos S.p.A. Sagat S.p.A. Sogeaal S.p.A.	Chairman of the Board of Directors Director Director Director Director
Patrizia De Pasquale	-	-
Ruggero Magnoni	Fondazione Giuliano e Maria Carmen Magnoni Onlus Fondazione Laureus Sport for Good Italia Onlus M&M Capital Ltd Repubblica Fondazione di Cultura Politica Compagnie Financiere Richemont SA APLOMB S.r.l. Raffaele Caruso S.p.A. INTEK S.p.A. Omniainvest S.p.A.* Fondazione Dynamo - Motore di Filantropia Lehman Brothers Foundation Europe Quattrodue Holding BV Trilantic Capital Partners Europe Istituto Javotte Bocconi Manca di Villahermosa - Associazione "Amici della Bocconi"	Founding Member and Chairman Founding Member and Chairman Chairman Deputy Chairman Director and Member of the Audit Committee Director Director Director Director Director Director Trustee Supervisor Director Senior Advisor and Member Advisory Council Executive Committee Member
Livio Corghi	Intermarine S.p.A.* RCN Finanziaria S.p.A.*	Chief Executive Officer Director

Paola Mignani	LU-VE S.p.A. De' Longhi S.p.A. De' Appliances Longhi S.p.A. Cairo Communication S.p.A. Digital Bros S.p.A. Impact Sim S.p.A.	Chairman of the Board of Statutory Auditors Auditor Auditor Director Director Director
Gianpiero Succi	-	-
Devis Bono	Sella Leasing S.p.A.	Director
Giovanni Sala ⁽¹⁾	Intermonte Holding SIM S.p.A. Intermonte SIM S.p.A. Lemar S.p.A. Movi S.p.A. Pentax Italia S.r.l. Gewiss S.p.A.	Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Director

* Company of the Group of which the Issuer is Parent Company or forms a part.

⁽¹⁾ Appointment with Immsi S.p.A. ended on 10/05/2018.

The type of board disclosure allows Directors to have adequate knowledge of the sector in which the Issuer operates, of corporate dynamics and their developments, as well as the regulatory and self-regulatory reference framework. During board meetings concerning the approval of interim accounting figures, held at least quarterly, the Chief Executive Officer updates the Board on the organisational changes, the strategic development strategies and the outlook for the Group, breaking down the analysis according to individual cash generating units.

In particular, Directors and Auditors were able to further their knowledge of the applicable legal, regulatory and self-regulatory framework, taking part in board meetings in which internal procedures adopted by the Company concerning inside information, *the insider list* and *insider dealing* were amended, following in-depth discussion of the latest updates concerning *market abuse* regulations, and in particular, regarding recommendations in Consob Guidelines no. 1/2017 on the *Management of Inside Information*, adopted on 13 October 2017; moreover, after a thorough review of the Consob Regulations on Related-Party Transactions, the Directors updated the Related-Parties Procedure.

Company management also worked on a continual basis with company boards as regards information flows and/or updates on issues of interest.

In any case, the Issuer will draw up structured training plans if considered necessary, or required by company bodies.

4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

During the year, the Board of Directors held 6 meetings on the following dates: 1 March, 21 March, 10 May, 3 September, 13 November and 21 December.

The meetings lasted on average one hour, thirty minutes, with the Board of Statutory Auditors taking part.

The average attendance of Board Directors at these meetings was equal to 90.97%, while the average attendance of Independent Directors was equal to 91.67%.

The Articles of Association do not establish a minimum number of Board meetings, however the Board is expected to meet at least 6 times in 2019. At the date of this Report, 2 meetings had been held, on 19 and 25 March 2019.

In this regard, in compliance with article 2.6.2, paragraph 1, letter b) of the Regulation on markets organised and managed by Borsa Italiana S.p.A., on 30 January 2019, Immsi S.p.A. informed Borsa

Italiana S.p.A. of its annual schedule of corporate events for 2019. This calendar has also been published on the website of the Issuer, in the section “*Investors/Calendar*” and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

To ensure the continuity and regularity of information to the financial community, the Company resolved to continue publishing quarterly information, on a voluntary basis, and, with effect from the year and until otherwise decided, to adopt the communication policy detailed in the press release of 21 December 2016 available on the website of the Issuer, in the section “*Investors/Media/Press Releases*” and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

The Chairman of the Board of Directors, through the Secretary of the Board of Directors, ensures that adequate information regarding items on the agenda is made available to all Directors in reasonable time. In particular, documents on items to discuss are sent, by email, usually 48 hours in advance of the meeting, except for particularly urgent cases or in the case of a particular need for confidentiality; in the latter case, the Chairman ensures that items are reviewed in depth during board meetings. In this way, the Chairman of the Board of Directors promotes an informed debate, encouraging the contribution of all participants, ensuring that enough time will be spent on items on the agenda to ensure a constructive dialogue.

The Director of Administration, Finance and Control, Andrea Paroli, has always taken part in board meetings, to provide further information on items on the agenda.

The Board of Directors plays a central role within the corporate organisation. It is in charge of strategic and organisational functions and responsibilities, and also ensures necessary controls are in place to monitor the performance of the Issuer and companies in the Group.

The Board of Directors has the widest possible powers to manage the Company, and to that end it may pass resolutions or take any action deemed necessary or useful for achieving the Company object, with the exception of powers assigned by law and by the Articles of Association to the Shareholders’ Meeting.

Pursuant to article 23 of the Articles of Association, the Board of Directors is also responsible for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505, 2505-*bis* of the Civil Code, the latter also referred to in Article 2506-*ter* of the Civil Code;
- the establishment or closure of secondary offices;
- Directors representing the Company;
- reductions in share capital in the event of Shareholder withdrawal;
- amendments to the articles of Association to comply with regulatory provisions;
- transfer of the registered office to another location in Italy;

notwithstanding that such decisions may also be taken by the Extraordinary Shareholders’ Meeting.

In the meeting of 10 May 2018, the Board of Directors resolved on the distribution of managerial competencies of the Board of Directors (see section 4.4 below for the competencies of the Chairman and Chief Executive Officer), with the Board jointly having, besides all powers assigned to it by law and by the articles of Association, as well as powers to approve “related-party transactions” as provided for by the specific procedure adopted by the Company (see section 12 of this Report), the following powers:

- a) define the strategic, industrial and financial strategies as well as the general policy of the Company and Group;
- b) acquire and dispose of controlling investments, acquire or dispose of business units for individual amounts above €25 million, mergers and demergers;

- c) approve long-term plans;
- d) carry out property dealings for individual amounts above €25 million.

Within its area of responsibility, the Board approves the corporate governance system of the Issuer, it defines the structure of the Issuer's Group, it examines and approves the strategic, industrial and financial plans of the Issuer and of its Group, periodically monitoring relative implementation.

Pursuant to Article 2381 of the Civil Code and to the application criterion 1, paragraph 1, letter c) of the Code, during the year the Board evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries, with particular reference to the internal control and risk management system, according to procedures adopted by the Issuer for this purpose. In particular, in the meetings of 21 March 2018 and 25 March 2019, the Board considered - among others - the functional company organisation charts of the main strategic companies of the Group, with a particular focus on the charts of the Administration, Finance and Control departments, also considering organisational changes taking place during the year.

Within the framework of this periodic activity the Board has, depending on the case, used the support of the Control and Risks Committee, the Head of Internal Audit, the auditing company Immsi Audit S.c. a r.l. and the Financial reporting manager as well as the procedures and checks implemented also in accordance with Italian Law 262/2005. In particular, the Control and Risks Committee of the Issuer, in its meeting of 10 May 2018, reviewed specific documentation in order to determine operating and significant companies to be included in its controls, pursuant to Italian Law no. 262/2005, agreeing on the methodology to apply and companies to be controlled.

Relevant subsidiaries were identified using quantitative parameters, determining specific threshold values, and qualitative parameters, performing assessments based on knowledge of the Company and existing specific risk factors.

As a result of this analysis and also considering its nature as a diversified industrial group, the main subsidiaries of strategic importance were determined, and subsequently included in the scope of controls pursuant to Italian Law no. 262/2005.

For a description of the main characteristics of the risk management and internal control system in relation to the financial disclosure process, pursuant to Article 123-bis, paragraph 2, letter b) of the TUF, see Attachment 1 in the appendix.

During the year, the Board evaluated the general trend of operations, at least quarterly, considering information received from authorised bodies, periodically comparing results with objectives.

In accordance with legal provisions, the articles of Association and the Code, the Board of Directors has examined and approved in advance transactions, conducted by the Issuer and its subsidiaries, of strategic importance or with a material impact on the financial position and performance of the Issuer, with a particular focus on transactions in which one or more Directors have a personal interest or interest on behalf of third parties.

On 10 May 2018 (after the new Board of Directors took up office), and on 25 March 2019, the Issuer's Board of Directors conducted the annual review pursuant to Article 1 C.1 letter g) of the Corporate Governance Code. The review found that the size, composition and operation of the Board of Directors and its committees were adequate, given the Company's management and organisational requirements and considering the professional and managerial characteristics and experience of its members, their seniority in office, as well as the fact that out of a total of eleven Board members, nine are non-executive directors, five of whom are independent non-executive directors, who also ensure a suitable composition of the Board's committees.

In this regard, the Board decided to carry out self-assessment, to evaluate its abilities to carry out the functions assigned to it by applicable regulations. This assessment was conducted in February 2019. It concerned the financial year and was based on a self-assessment questionnaire sent to all Board Directors. The questionnaire – which was divided into different areas of investigation (e.g. composition, structure, size, functioning and dynamics of the Board, interaction with management,

risk governance, and composition and structure of the Committees) and with the possibility of providing comments and suggestions – was completed by all the Directors and examined by the Board in the meeting of 25 March 2019. As stated above, the assessment outcome showed that the Board and Committees are suitable for carrying out their respective functions. In this context, the Board of Directors also considered the composition of the Board of Directors to be adequately diverse in terms of age, gender balance, and educational and professional background.

Under Article 18 of the articles of Association, and unless decided otherwise by the Shareholders' Meeting, Directors are not subject to the prohibition set out in Article 2390 of the Civil Code. During the financial year, no matters concerning the profiles envisaged in Article 2390 of the Civil Code were put to the Board of Directors.

At present, the above departure has not been applied in any specific case.

4.4. AUTHORISED BODIES

The Chairman is appointed by the Board of Directors from its members, if not already appointed by the Shareholders' Meeting.

The Chairman convenes the Board of Directors and coordinates its activities, ensuring that adequate information on items on the agenda is made available to all Directors, taking account of contingent circumstances. The Chairman chairs Shareholders' Meetings, ascertains the identity and entitlement of those attending, that the meeting is duly established, that a sufficient number of Shareholders is present for resolutions to be valid, and also governs the proceedings, establishing voting methods and monitoring results.

The Board of Directors may also appoint a Deputy Chairman, who replaces the Chairman in the above functions in his absence or impediment.

The Chairman has powers to sign for the Company and is the legal representative vis-à-vis third parties and before the courts. In the case of his absence or impediment, these functions are overseen by the Deputy Chairman, if appointed.

The Board of Directors may also delegate, within the same limits, its powers to one or more of its members, possibly Chief Executive Officers, granting them several or joint powers of signature, as deemed appropriate.

Pursuant to Article 23 of the articles of Association, the Board of Directors may appoint General Managers, Managers and Attorneys-in-fact, with several or joint powers of signature, determining their powers and duties, as well as delegate powers for certain acts or categories of acts.

Powers of representation and signature may also be granted by the Board, which determines the limits, to company employees or to third parties.

Chairman of the Board of Directors and Chief Executive Officer

On 10 May 2018 following the Ordinary Shareholders' Meeting appointing the current Board of Directors, Roberto Colaninno was appointed by the Board as Chairman and will remain in office until approval of the Financial Statements for the year ending 31 December 2020.

The Chairman of the Board is the person mainly responsible for management of the Issuer (Chief Executive Officer): by Board resolution of 10 May 2018, this officer, in addition to the task of overseeing the management of the Company, has been assigned all powers of ordinary and extraordinary management, excluding those powers reserved by Law or the articles of Association to the entire Board of Directors, as well as the powers in all cases reserved to the Board on the basis of said resolution (refer to section 4.3 above for a list). In the event of extraordinary actions or operations, the Chairman shall adequately inform the Board at the first possible meeting.

The Board considers that granting executive powers to the Chairman meets the considerable organisational needs of the Issuer, i.e. streamlining the operation of the Board of Directors of the Company. Accordingly, the Board appointed the Director Daniele Discepolo as Lead Independent Director pursuant to the Code. For more information about the Lead Independent Director, see section 4.7.

Interlocking directorate, as established by application criterion 2, paragraph 6 of the Code, does not apply.

Michele Colaninno, former General Manager of the Company, was appointed Chief Executive Officer on 10 May 2018. In addition to powers to act as the Company's legal representative vis-à-vis third parties and before the courts and to sign on behalf of the company, the CEO was granted the power to oversee the ordinary management of the Company, being authorised, for this purpose, to carry out all standard operations for sums not exceeding €20,000,000 per transaction or series of related

transactions, and to adopt the resolutions passed by the Shareholders' Meeting and the Board of Directors.

He was also granted the power to appoint, dismiss, direct, supervise and discipline Company Manager(s) and their subordinates, with the approval of the Chairman, with the exception of any such power regarding the General Manager(s).

The powers of the Chief Executive Officer do not include powers assigned by law or by the articles of Association to the Board of Directors, and powers that in any case are assigned to the Board according to the same resolution (see section 4.3, letters a), b), c) and d) above for details, for amounts also lower than those indicated).

Reporting to the Board and the Board of Statutory Auditors

In accordance with Article 21 of the articles of Association, the Delegated Bodies report to the Board of Directors and the Board of Statutory Auditors on their activities and the most significant financial and economic transactions carried out by the Company or its subsidiaries, referring in particular to transactions in which Directors have an interest, on their own behalf or on behalf of third parties, or that are influenced by the entity carrying out management and coordination. The information is given promptly, on at least a quarterly basis, during Board meetings, or in a written notice addressed to the Chairman of the Board of Statutory Auditors.

In particular, during the 6 board meetings held during the year, the Delegated Bodies promptly and extensively reported to the Board of Directors on activities carried out, on the performance generation operations and their outlook, as well as material transactions, in terms of their scale and characteristics, undertaken by the Company and its subsidiaries, as required by law and by the articles of Association.

4.5. OTHER EXECUTIVE DIRECTORS

Besides the Chairman and Chief Executive Officer, there are no other Executive Directors.

4.6. INDEPENDENT DIRECTORS

Non-executive directors currently make up nine of the eleven Board Directors of the Issuer, of whom five are independent. The number and position of these Directors is such as to guarantee a significant contribution to decisions taken by the Board. The Non-Executive Directors and Independent Directors bring their specific competencies to Board discussions, contributing to decisions made in the Company's interest.

The Board of Directors evaluates the independence of its non-executive members in accordance with both Article 148, paragraph 3, letters b) and c) of the TUF, referred to by Article 147-ter, paragraph 4 of the TUF, and by applying all criteria in accordance with Article 3 of the Corporate Governance Code, at the time of appointment, making known the results of its assessments in a press release issued to the market, and periodically during the term in office, in the annual report on corporate governance. The monitoring criteria and procedures adopted by the Board of Directors for evaluating independence requirements are verified by the Board of Statutory Auditors in accordance with the Corporate Governance Code.

The independence requirements as of Article 3 of the Code and Article 148, paragraph 3, letters b) and c) of the TUF for independent directors currently in office were reviewed by the Board of Directors on the first occasion possible after their appointment on 10 May 2018 (as disclosed to the market) and most recently during the meeting of 25 March 2019. On the same date, the Board of Statutory Auditors acknowledged that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted.

In order to rule out potential risks of limiting the management independence of the strategic subsidiary Piaggio & C. S.p.A., the majority Board Directors of Piaggio & C S.p.A. has no administrative and/or managerial duties in the Parent Company Immsi S.p.A.

The Independent Directors are committed to maintaining independence during their term of office, and in any event shall promptly inform the Board of Directors of any situation that might compromise their independence. Pursuant to the provisions of Article 17, paragraph 4 of the Articles of Association of the Issuer, if a Director no longer meets the independence requirements as of article 148, paragraph 3 of the TUF, he/she will not have to step down, if the minimum number of Directors required by applicable laws meets these requirements.

During the year, the Independent Directors met on 1 March 2018 and 12 November 2018, to discuss matters concerning the Group's company policies, covered by their areas of expertise. The meetings, lasting 30 minutes, were also attended by a secretary taking the minutes, the Director of Administration, Finance and Control and all members of the Board of Statutory Auditors.

For the year 2019, the Independent Directors are expected to meet at least twice.

4.7. LEAD INDEPENDENT DIRECTOR

As indicated in section 4.4. above, the Chairman of the Board of Directors is the person mainly responsible for management of the Issuer (Chief Executive Officer). On 10 May 2018, the Board of Directors appointed the non-executive, independent Director Daniele Discepolo as Lead Independent Director, to represent non-executive directors and in particular independent directors.

The Lead Independent Director, Daniele Discepolo, with adequate accounting, financial and/or risk management expertise, also holds the position of Chairman of the Control and Risks Committee, Chairman of the Remuneration Committee and Chairman of the Appointments Committee of the Issuer.

The Lead Independent Director also works with the Chairman to ensure that Directors receive exhaustive and timely information, and may call, independently or at the request of other Directors, special meetings only attended by Independent Directors, to discuss issues considered of interest regarding the functions of the Board of Directors and corporate management.

As stated above, during the year, the Independent Directors met on 1 March and 12 November 2018 in the absence of the other Directors.

5. PROCESSING OF CORPORATE INFORMATION

On 1 July 2016, the Issuer adopted, with effective date as from 3 July 2016 and in line with new EU provisions on market abuse (MAR and relative implementing regulations of the European Commission) new procedures concerning the Market Abuse Regulation, and namely:

- the “Procedure for Communicating Privileged Information to the General Public”;
- the “Procedure for management of the Register of Persons who have access to Price-Sensitive Information”;
- the “Procedure for the fulfilment of Internal Dealing obligations”.

In particular, these procedures specifically establish the procedures for monitoring, accessing and distributing inside information before it is disclosed to the public, in order to ensure compliance with obligations of laws and regulations concerning confidentiality and market protection.

These procedures were updated by the Board of Directors on 15 December 2017, coming into force on 1 January 2018, to take into account(i) the latest guidance issued by ESMA (*European Securities and Markets Authority*) (including *Questions and Answers on the Market Abuse Regulation*, as last

amended); **(ii)** recommendations in Consob's Guidelines no. 1/2017 on the "*Management of inside information*" adopted on 13 October 2017; **(iii)** amendments made by Consob to its Regulation on Issuers, by resolution no. 19925 of 22 March 2017 concerning, among others, disclosure obligations for shareholders that hold at least 10% of the share capital.

The procedures are available on the Issuer's website www.immsi.it - in the section "*Governance/Procedures*" and in the authorised storage mechanism "eMarket STORAGE" viewable www.emarketstorage.com.

6. BOARD COMMITTEES (pursuant to article 123-bis, page 2, letter d), TUF)

The Board of Directors has appointed the Remuneration Committee, the Appointments Committee, the Control and Risks Committee and the Related-Party Transactions Committee.

The Issuer has not established a committee that performs the functions of two or more committees required by the Code, nor committed other than those indicated in the Code, nor has it assigned the functions or one or more committees to the entire Board overseen by the Chairman.

7. NOMINATIONS COMMITTEE

In compliance with the Code and in consideration of the list-based voting system in the Articles of Association for Board appointments, the Board of Directors has established an internal Appointments Committee.

Composition and operation of the Appointments Committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

The Appointments Committee in office until 10 May 2018, the date when the Shareholders' Meeting was convened to approve the Financial Statements for the year ending 31 December 2017, comprised the independent directors Giovanni Sala (acting as Chairman), Daniele Discepolo and Rita Ciccone.

The Board of Directors appointed by the Shareholders' Meeting of 10 May 2018, in its first meeting, appointed the independent directors Daniele Discepolo, acting as Chairman (also designated as the Lead Independent Director), Rita Ciccone and Paola Mignani as the new members of the Appointments Committee, who will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2020.

During the year, and specifically on 21 March 2018, the Appointments Committee, with its previous composition, considering the approaching end of the term of office of the Board of Directors, met in order to formulate an opinion on the size and composition of the new Board, and to provide guidance on the professional positions considered most appropriate. The Committee then met on 9 April 2018 to review documents filed with the lists.

The Committee meetings, recorded in the minutes, lasted half an hour on average.

See Table 2 in the appendix.

Functions of the Appointments Committee

The Appointments Committee checks that procedure for presenting lists, established by Articles of Association, takes place correctly and transparently, in compliance with applicable laws and regulations. After it has checked the presentation procedure for lists, ensuring specifically that documents filed with the lists are complete and filing deadlines are met, the Committee arranges the formalities for presenting the lists to the General Shareholders' Meeting convened for the appointment of the Board of Directors or its members.

In accordance with the Application Criterion 5.C.1, letters a) and b) of the Code, the Appointments Committee is also assigned the task of providing opinions to the Board, when considered necessary, regarding its size and composition or making recommendations regarding the professional profiles that are considered advisable to be present within the Board, as well as the maximum number of positions of Director or Statutory Auditor that can be considered compatible with the effective performance of the position of Director in the Issuer, and regarding the advisability of authorising exemptions to the non-competition obligation. The Committee also advises the Board on candidates for the position of Director in the case of co-opting, when independent directors need to be replaced.

In carrying out its functions, the Appointments Committee was able to access and consult the corporate information and departments necessary to carry out its duties, and also use external consultants within the terms set by the Board.

No financial resources were allocated to the Appointments Committee, as it uses the funds and facilities of the Issuer to perform its duties.

8. REMUNERATION COMMITTEE

In compliance with the Corporate Governance Code, the Company's Board of Directors has established a Remuneration Committee from Board members.

Composition and operation of the Remuneration Committee (pursuant to article 123-bis, comma 2, let. d), TUF)

The Remuneration Committee in office until 10 May 2018, the date when the Shareholders' Meeting was convened to approve the Financial Statements for the year ending 31 December 2017, comprised the non-executive, independent directors Daniele Discepolo (acting as Chairman), Giovanni Sala and Rita Ciccone.

The Board of Directors appointed by the Shareholders' Meeting of 10 May 2018, in its first meeting, appointed the non-executive, independent directors Daniele Discepolo, acting as Chairman (also designated as the Lead Independent Director), Rita Ciccone and Paola Mignani as the new members of the Remuneration Committee, who will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2020. All members of the above committee have an adequate knowledge and experience of financial matters and/or salary policies, considered conforming by the Board at the time of the appointment.

During the year, the Remuneration Committee met twice, once with the previous composition on 21 March 2018 and once with the current composition, held on 10 May 2018, and both meetings, lasting around 20 minutes, were attended by all members, the secretary recording the minutes, and members of the Board of Statutory Auditors, who were involved in all decisions taken by the Committee before the Committee Chairman submitted them to the Issuer's Board of Directors on 21 March and 10 May 2018.

The Remuneration Committee is expected to meet at least once during 2019. At the date of this Report, this meeting had been held on 25 March 2019.

See Table 2 in the appendix.

Functions of the Remuneration Committee

The Remuneration Committee of the Issuer has the following duties, in the absence of persons directly involved:

- periodically assessing the adequacy, overall consistency and actual application of the Remuneration Policy for the Directors and Key Management Personnel, and using the information provided by the Executive Directors for this purpose;
- make recommendations to the Board to define the General Remuneration Policy for executive directors, other directors with key positions and key senior management, monitoring the adoption of decisions taken;
- presenting proposals to the Board concerning the remuneration of Executive Directors and Directors with special positions as well as defining performance objectives related to the variable component of remuneration, monitoring the application of decisions adopted by the Board and verifying, in particular, the actual achievement of performance objectives.

In particular, the Committee considers the following, when defining the above remuneration: consistency with previous terms of office, appropriacy as regards undertakings and responsibilities of positions held, professional qualifications of persons concerned as well as the size of the Company, Group and relative prospects for growth.

For further information, see the Remuneration Report, available, as established by law, on the website of the Issuer, in the section “*Governance/General Meeting/Archive*” and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

9. DIRECTORS' REMUNERATION

On 25 March 2019, the Board, following a proposal made by the Remuneration Committee, confirmed the “General policy for the remuneration of directors and key managers” (the “**Remuneration Policy**”) pursuant to article 6 of the Code. This policy defines the basic guidelines on which the remunerations must then be concretely established by the competent company bodies.

For a description of the Remuneration Policy and fees paid during the year to Directors, General Directors and Key Senior Management, see the Remuneration Report, available, as established by law, on the website of the Issuer, in the section “*Governance/General Meeting/Archive*” in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

Mechanisms of incentive of the Head of the Internal Audit Function and of the Financial reporting manager.

The incentive mechanisms for the Internal Auditing Supervisor and Executive in Charge of Financial Reporting are consistent with their duties.

Directors' indemnity in case of resignations, dismissal or cessation of the relationship following a public purchase offer (pursuant to article 123-bis, p. 1, let. i), TUF)

No agreements have been entered into between the Issuer and the directors that provide for indemnities in the case of resignation, dismissal/termination without just cause, or if the employment ceases following a public offering.

10. CONTROL AND RISKS COMMITTEE

The Board of Directors of the Company, in compliance with the Corporate Governance Code, has established a Control and Risks Committee, comprising non-executive, independent Directors, with committee works coordinated by a Chairman.

Composition and operation of the Control and Risks Committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

The Control and Risks Committee in office until approval of the Financial Statements at 31 December 2017 consisted of three members: Daniele Discepolo, acting as Chairman, Giovanni Sala and Rita Ciccone. The new Board of Directors, appointed by the General Meeting on 10 May 2018, in its first meeting on the same date, appointed to the Control and Risks Committee, based on the professional profile of candidates put forward, the independent directors, Daniele Discepolo, with adequate accounting, financial and/or risk management expertise, acting as Chairman (also as Lead Independent Director), Rita Ciccone and Paola Mignani.

During the year, the Control and Risks Committee met 8 times, with each meeting lasting on average approximately 40 minutes, coordinated by the Committee Chairman.

The Internal Audit Department Manager takes the minutes of each meeting held by the Committee in order to officially certify the meeting's progress, contents and decisions made.

In addition, upon the invitation of the Committee and in relation to various items on the agenda, the meetings were also attended by the Board of Statutory Auditors, the Manager in charge of preparing the company accounts and documents and, during the meeting held on the occasion of the review of the audit plan, a representative from the independent auditors.

In particular, the Control and Risks Committee operated during the year working with the Board of Statutory Auditors and with continuous information flows on issues in its remit.

In 2019, the Control and Risks Committee is expected to meet at least 7 times; the first two meetings were held on 19 and 25 March 2019.

See Table 2 in the appendix.

Functions of the Control and Risks Committee

The Control and Risks Committee, in assisting the Board of Directors in performing its duties concerning internal control and risk management:

- (i) evaluates, with the Financial reporting manager and after consulting with the independent auditors and the Board of Statutory Auditors, the correct use of accounting standards and their consistency in the preparation of the Consolidated Financial Statements;
- (ii) expresses opinions on specific aspects concerning the identification of main company risks;
- (iii) reviews periodic reports on the evaluation of the internal control and risk management system, and information of particular significance provided by the Internal Audit Department;
- (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit Department;
- (v) requests the Internal Audit Department to audit specific operating areas, also informing the Chairman of the Board of Statutory Auditors;
- (vi) reports to the Board, at least every six months, at the time of approving the annual and half-yearly financial report, regarding activities carried out, as well as the adequacy of the internal control and risk management system;
- (vii) supports, with adequate preliminary activities, the evaluations and decisions made by the Board of Directors on the management of risks arising from adverse events which have come to the knowledge of the Board of Directors;

(viii) gives recommendations to the Board as regards decisions relative to the appointment, removal from office, remuneration and availability of resources of the Internal Audit Department Manager.

During the year, the Control and Risks Committee monitored the internal control and risk management system on a continual basis and in particular, in this context, it:

- a) reviewed changes to the organisational structure, to processes and company activities;
- b) reviewed the progress of the internal auditing work plan, with particular reference to the implementation of measures concerning audits of previous years, the progress of the 2018 Audit Plan, including activities assisting the Risk Analysis unit and compliance audits conducted pursuant to Italian Law no. 262/2005 and Italian Legislative Decree no. 231/2001;
- c) monitored the independence, adequacy and effectiveness of the Internal Audit Department, also based on a review of specific indicators and of the Quality Assurance Review process adopted by the Function, which resulted in certification being obtained in compliance with international standards for the sector and recommendations of the Corporate Governance Code;
- d) reviewed, with the Financial reporting manager and after consulting the Independent Auditors and Board of Statutory Auditors, the financial disclosure process, the accounting standards adopted in preparing accounts and the financial statements, as well as the uniformity of these principles for preparing the consolidated financial statements;
- e) reviewed the impairment testing procedure used to verify adequacy and compliance with IAS/IFRS, as regards recommendations in the document issued by the Bank of Italy, Consob and ISVAP on 3 March 2010;
- f) examination of risk management and evolution of the risk assessment process.

In order to carry out its duties, the Committee:

- is assisted on an permanent basis by the Internal Audit Department;
- may access information and company functions necessary to carry out its duties;
- may be assisted by external professionals, within the limits of the budget established by the Board of Directors, provided they comply with necessary confidentiality requirements.

During the year, the Control and Risks Committee regularly reported to the Board on its work, on the result of audits and checks made and on the operation of the internal control and risk management system, indicating that the system is appropriate for the size and organisational and operational structure of the Issuer.

The Board of Directors, in the meeting of 10 May 2018, set the annual expenditure budget for the Control and Risks Committee at €30,000.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system comprises rules, procedures and organisational structures to identify, measure, manage and monitor main risks. This system is integrated at various levels with general organisational and corporate governance strategies adopted by the Company, and contributes to safeguarding corporate assets, the efficiency and effectiveness of company processes, the reliability of financial information, and compliance with laws, regulations, the Company's articles of associations and internal procedures.

The Board of Directors, after consultation with the Control and Risks Committee:

- a) It defines the nature and the level of risk compatible with the Issuer's strategic objectives, including in its assessment all risks that may be significant for medium to long term sustainability;
- b) defines the guidelines for the internal control and risk management system, so that main risks concerning the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, also determining the level of compatibility of these risks with a business management in line with strategic objectives identified;
- c) evaluates, at least annually, the adequacy of the internal control and risk management system in relation to business characteristics and the risk profile undertaken, as well as its effectiveness;
- d) approves, at least annually, the work plan prepared by the *Internal Audit* Function Manager, after consulting with the Board of Statutory Auditors and the Internal Control and Risk Management Director;
- e) describes, in the corporate governance report, the main characteristics of the internal control and risk management system, evaluating its adequacy;
- f) evaluates, after consulting with the Board of Statutory Auditors, the results of the independent auditors in their letter of findings and fundamental issues identified during auditing.

In carrying out such functions, the Board is assisted by the Director appointed to the internal audit and risk management system (the “**Director Appointed**”) and by the Control and Risks Committee; it also takes into consideration the compliance programmes adopted by the Issuer and Companies of the Group of which the Issuer is Parent Company, in accordance with Italian Legislative Decree no. 231/2001.

In the meetings of 21 March 2018 and 25 March 2019, the Board of Directors, also considering recommendations from the Control and Risks Committee, evaluated the effectiveness of the internal control and risk management system of the Issuer as adequate, with respect to the characteristics of the company and its risk profile.

For a description of the main characteristics of the risk management and internal control system in relation to the financial disclosure process, pursuant to article 123-bis, paragraph 2, letter b) of the TUF, see Attachment 1 in the appendix.

11.1. THE DIRECTOR APPOINTED TO OVERSEE THE FUNCTIONING OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 10 May 2018, the Board of Directors, in compliance with the Corporate Governance Code, and assisted by the Control and Risks Committee, appointed the Chief Executive Officer, Michele Colaninno, as the Internal Control and Risk Management System Director.

This position, as identified above, supervises the operation of the internal control and risk management system as part of guidelines established by the Board of Directors.

In this regard, the Internal Control and Risk Management System Director:

- identified main corporate risks (strategic, operational, financial and compliance risks), taking account of the characteristics of the Issuer and its subsidiaries’ operations, and regularly notified them to the Board for review
- implemented the guidelines defined by the Board, overseeing the design, development and management of the internal control and risk management system, checking its overall adequacy and effectiveness on an ongoing basis;

- oversaw changes to this system to take into account dynamics in operating conditions and legal developments;
- has the power to request that the Internal Audit Function perform verifications on specific areas of operation and on compliance with the internal rules and procedures in the execution of corporate operations, giving concurrent communication to the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors. During the Year, although no need was identified to request the performance of specific audits in addition to those already scheduled in the Audit Plan, the Head of Internal Audit was provided the information from the Appointed Director for the preparation of the Audit Plan, which also took into account the same information provided by the Control Bodies;
- proposed the appointment of the Internal Audit Department Manager to the Board during the meeting of 10 May 2018.

11.2. INTERNAL AUDIT DEPARTMENT MANAGER

On 12 December 2008, a consortium company was established called Immsi Audit Società Consortile di Internal Auditing del Gruppo Immsi a r.l. ("**Immsi Audit**"), in order to start the centralisation and relocation of all internal auditing activities of Group companies to a single company. Immsi Audit provides its services solely for companies which are part of the consortium (Immsi S.p.A., Intermarine S.p.A., Is Molas S.p.A. and Piaggio & C. S.p.A.) and, in their interest, it carries out all activities connected with and functional to internal auditing, ensuring adequate standards of professionalism, independence and organisation, with the objective of improving the effectiveness and efficiency of the internal control and risk management system and assessing its functionality. This strategy allows the Group to acquire the necessary knowledge and expertise on internal control and risk assessment, whilst also achieving economies of scale and synergies in applying uniform audit methods.

On 10 May 2018, the Board of Directors of the Company, following recommendations from the Internal Control and Risk Management System Director and after consulting with the Control and Risks Committee and Board of Statutory Auditors, approved the appointment of Maurizio Strozzi (Chief Executive Officer of Immsi Audit S.c. a r.l.) as *Internal Audit* Department Manager, responsible for verifying the functioning and adequacy of the internal control and risk management system. No specific financial resources were allocated to the Internal Audit Department Manager, as he uses funds and facilities of the Issuer to carry out his duties, and of Immsi Audit, which charges each company in the consortium for costs incurred for the services provided to them.

The Internal Audit Function Manager, who is not responsible for any operating area of the Issuer and directly reports on activities carried out to the Board of Directors, and has direct access to all information useful for his position, during the year, which involved:

- checking, on both an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and adequacy of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process that analyses and prioritises main risks;
- preparing periodic reporting, which included appropriate information on activities and an assessment of the adequacy of the internal control and risk management system, as well as compliance with action plans established to reduce risks;
- prepared the audit plan for 2018, in line with the relative 2018-2020 plan, comprising an audit of the reliability of information systems, including accounting systems.

In particular, during the year, the Internal Audit Manager, assisted by Immsi Audit, S.c. a r.l., conducted an audit of the internal control and risk management system, in accordance with the

Internal Audit Plan scheduled for 2018-2020, and approved by the Board of Directors on 1 March 2018, carrying out risk analysis, financial, operational and compliance auditing (with particular reference to audits carried out in order to comply with provisions of Law no. 262/2005 and Legislative Decree no. 231/2001), verifying the reliability of information systems, including accounting systems, and monitoring adoption of improvement/corrective actions agreed after internal audit activities.

The results of auditing activities, carried out based on the Audit Plans, were always analysed and discussed with various Managers of the processes/functions and Company Management, in order to agree on and adopt preventive/corrective measures, with implementation monitored. The Internal Audit Manager presents audit reports to the Chairman, Appointed Director, Chairman of the Control and Risks Committee and Chairman of the Board of Statutory Auditors, as well as to the Supervisory Committee and Financial Reporting Officer, for areas under their responsibilities. This presentation was made at the end of the related audits, both by sending the audit reports and with examination of the specific outcomes during periodic meetings with mentioned recipients. In a specific report, the Internal Audit Manager also provided details on the work conducted by the Internal Audit Department in the year, also giving his opinion on the adequacy of the Company's internal control and risk management system.

11.3. COMPLIANCE PROGRAMME pursuant to Legislative Decree 231/2001

On 13 September 2004, the Issuer adopted the Compliance Programme for the prevention of offences indicated in Legislative Decree no. 231/2001 as amended. This strategy has also been adopted by subsidiaries with strategic importance, that in turn resolved to adopt their own Programmes pursuant to Legislative Decree no. 231/2001.

The current Programme comprises a general part, with the Code of Ethics (available on the website of the Issuer www.immsi.it, in the section "*Governance/Procedure*") and Disciplinary System, as well as special parts for the different types of offence considered in the Decree.

- "Special Section 1" concerns specific categories of offences against the Public Administration, against Public Property and the offences of inducing persons to give or promise benefits pursuant to articles 24 and 25 of the Decree, as well as computer crime and the unlawful processing of data pursuant to article 24-*bis* of the Decree, offences concerning the individual pursuant to article 25-*quinquies* of the Decree and offences concerning copyright infringement pursuant to article 25-*novies* of the Decree;
- "Special Section 2" refers to corporate crime and the offence of corruption between private individuals, as of article 25-*ter* of the Decree;
- "Special Section 3" covers market abuse offences, as of article 25-*sexies* of the Decree;
- "Special Part 4" concerns offences concerning occupational health and safety regulations, as of article 25-*septies* of the Decree;
- "Special Part 5" concerns types of offences relating to the handling of stolen goods and money laundering, use of money, goods or assets of unlawful origin and self-laundering as of article 25-*octies* of the Decree;
- "Special Part 6" concerns types of offences that violate environmental regulations as of article 25-*undecies* of the Decree.

The Programme is monitored and updated on an ongoing basis. In particular, in March 2018, the Programme review concerned additions to the section on whistleblowing, establishing: i) procedures for reporting to the Supervisory Body, with one dedicated IT channel (a specific email address with only the Supervisory Body as the recipient), that are suitable for guaranteeing the confidentiality of the party reporting the unlawful conduct which is relevant pursuant to Legislative Decree 231/2001 or infringements of the Company's Compliance Programme; ii) disciplinary system sanctions for

persons that infringe measures to protect reporting parties, and for persons that, committing wilful misconduct or gross negligence, report information which is unfounded. Moreover, the Company, as part of a wider review of its Programme, started activities to assess compliance with recent amendments introduced by the Decree, including the offence of unlawful influence and amendments to the offence of market abuse and corruption.

The Programme is updated on an ongoing basis and likewise company procedures are updated accordingly, with correct application monitored through planned compliance activities, recommended and coordinated by the Supervisory Board and carried out by the Internal Audit Department and Management. This monitoring process also involves Process Owners, i.e. the parties/entities responsible for company processes that are considered "sensitive" as regards the commission of offences, that periodically report to the Supervisory Board. Employees - top managers and positions reporting to them - as well as third parties (i.e. suppliers, customers, consultants, etc.) are informed about the adoption of the Code of Ethics and the Code of Conduct and, when signing contracts, specific clauses are included referring to the principles of ethics/conduct adopted.

On 10 May 2018, the Board of Directors confirmed Marco Reboa, selected from external professionals with the necessary requisites, as Chairman of the Supervisory Board of the Issuer and Maurizio Strozzi, Chief Executive Officer of Immsi Audit S.c. a r.l. as Internal Audit Department Manager of the Company, while the Statutory Auditor Giovanni Barbara took over from Alessandro Lai as Chairman of the Board of Statutory Auditors.

In this regard, the Issuer considered the feasibility of assigning supervisory functions to the Board of Statutory Auditors, but considered the supervisory functions of an *ad hoc* organisation, i.e. the Supervisory Board, to be more efficient and effective at monitoring the functioning of and compliance with the Programme.

This Board, that will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2020, operates at the highest company level, and according to principles of independence, autonomy, professionalism and impartiality, and also on the basis of Regulations approved by the Board of Directors, that it reports to periodically on activities carried out, information received and sanctions administered. During the year, no reports were made by the Issuer's employees via the email address with only the Supervisory Body as the recipient.

The Board has the financial and logistics resources necessary to carry out its duties. On 10 May 2018, the Board of Directors set the annual expenditure budget for the Supervisory Board at €30,000.

During the year, the Supervisory Body of Immsi S.p.A. met 6 times and overall member attendance was 100%.

The Supervisory Board is expected to meet at least 5 times in 2019. The first two meetings were held on 21 and 25 March 2019; the Working Plan for 2019 was approved during the meeting of the Supervisory Board on 12 November 2018.

11.4. EXTERNAL AUDITORS

The Shareholders' Meeting of Immsi S.p.A. of 11 May 2012 appointed PricewaterhouseCoopers S.p.A. as independent auditors for the period 2012 - 2020.

11.5. FINANCIAL REPORTING MANAGER AND OTHER COMPANY ROLES AND FUNCTIONS

In accordance with the Articles of Association, the Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, appoints and revokes the Financial reporting manager, that shall meet requirements for good standing as of laws applicable to persons holding management and control positions, and shall also meet professional requirements, with specific administrative and

accounting expertise. This competence, to be verified by the Board of Directors, must be attained through work experience gained in positions of adequate responsibility for a reasonable period of time. The above Manager has the powers and functions established by law and by other applicable provisions, as well as the powers and functions established by the Board on his appointment or by subsequent resolution.

On 18 June 2007, the Board of Directors, as recommended by the Board of Statutory Auditors, appointed Andrea Paroli, already Manager of the Administration and Financial Statements Department of Immsi S.p.A., as Financial reporting manager until this position is revoked, giving him all powers and resources necessary to carry out duties assigned and in particular:

- a) free access to all information considered important for carrying out duties, both within Immsi and within Group companies, with the power to review all financial reporting documents of Immsi and the Group and the power to request clarifications and explanations from all persons involved in the process of preparing the accounts of Immsi and the Group;
- b) attendance at the meetings of the Board of Directors;
- c) the right to engage with every Administrative and Control Body;
- d) the right to prepare and put forward for approval company procedures, when they affect the financial statements, the consolidated financial statements and documents submitted for certification;
- e) is involved in designing the information systems that affect financial position and performance, with the possibility of using them for control purposes;
- f) the right to organise a suitable structure within his own area of activity, internally employing available resources and, where necessary, outsourcing;
- g) the right to use the Internal Audit Department, for mapping processes in his area of activity and in carrying out specific controls, with the possibility of outsourcing if this Function is not available in-company.

Lastly, the Executive in charge of financial reporting must report, at least half-yearly, to the Board of Directors, on activities carried out and expenses sustained.

For a description of the main characteristics of the risk management and internal control system in relation to the financial disclosure process, pursuant to article 123-bis, paragraph 2, letter b) of the TUF, see Attachment 1 in the appendix.

11.6. COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Issuer, in order to ensure coordination between parties involved in the internal control and risk management system, promotes the organisation of meetings between these parties. This ensures maximum efficiency of the internal control and risk management system implemented by the Issuer, while also reducing the duplication of activities.

On 25 March 2019, the Board of Directors, in accordance with the provisions of criterion 7.C.1 of the Code, provided its opinion on the adequacy of the aforementioned procedures of coordination between the various parties involved in the internal control and risk management system.

12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 15 December 2017, the Board of Directors, during the three-year review of the Related Parties Procedure (as defined herein) and subject to the favourable opinion of the Related Party

Transactions Committee, updated the Procedure governing the approval and management of transactions with related parties (**Related Parties Procedure**), pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 (as amended), undertaken by Immsi S.p.A., also through its subsidiaries. The procedure became effective on 1 January 2018.

The Issuer, also in compliance with Consob Communication no. DEM/10078683 published on 24 September 2010 containing "Indications and guidance on the Related Party Transactions Regulation adopted with resolution no. 17221 of 12 March 2010 as amended", requires the Board to assess at least every three years and also as indicated by the Related Party Transactions Committee, whether to revise the Related-Parties Procedure, considering, among others, any legal changes, amendments to corporate ownership as well as the effectiveness of the procedure.

The Related-Parties Procedure regulates the identification, approval and management of related-party transactions. In particular, the Procedure:

- regulates procedures for identifying related parties, defining the methods and times for preparing and updating the related parties list and for identifying competent company functions;
- establishes the procedures for identifying related-party transactions prior to their completion;
- regulates the procedures for the Company to perform related-party transactions, also through subsidiaries pursuant to article 2359 of the Civil Code or companies that in any case are subject to management and coordination;
- establishes the procedures and times for complying with obligations to report to company bodies and the market.

In compliance with regulations in force and the Articles of Association, the examination and prior approval of the transactions by the Issuer and its subsidiaries in which one or more directors hold a personal interest or interest on behalf of third parties, are reserved to the Board.

The Board of Directors appointed a Related Party Transactions Committee responsible for approving both minor and material transactions with related parties. The Committee, as appointed by the Board of Directors on 10 May 2018, consists exclusively of 3 independent directors who, in accordance with statutory regulations, are required to be directors that are not related to the transactions reviewed. Specifically, the three members of the Related Party Transactions Committee are: Rita Ciccone, acting as Chair, Patrizia De Pasquale and Paola Mignani.

This Committee has the functions indicated in the relative Procedure, which is available on the Issuer's website www.immsi.it, in the section "*Governance/Procedure*".

During the year, the Committee held two meetings.

13. APPOINTMENT OF STATUTORY AUDITORS

The Articles of Association of the Issuer conform to regulations on the gender balance of company boards pursuant to article 148, paragraph 1-*bis* of the TUF, as introduced by Law 120/2011, and article 144-*undecies*.1 of the Consob Regulation on Issuers.

In accordance with article 25 of the Articles of Association, the Board of Statutory Auditors comprises three Statutory Auditors and two Substitute Auditors, who remain in office for three years, until the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term of office, and may be re-elected.

The Auditors have the functions and duties assigned to them as of applicable laws and must also meet requirement of applicable laws concerning the total number of positions held.

All Auditors must be registered auditors and have practised for at least three years.

Auditors may not be elected and if elected will be removed from office if they do not meet requirements established by law. The Board of Statutory Auditors is appointed in accordance with applicable regulations pro tempore concerning gender balance, based on the lists submitted by Shareholders in which candidates are listed with a consecutive number.

The list, with the names marked by a consecutive number, of one or more candidates, indicates whether the candidate is standing for the position of Statutory Auditor or Alternate Auditor.

Lists that have an overall number of candidates greater than or equal to three must be composed of candidates belonging to both genders, in such a way that at least one third (in any case rounded upwards) of candidates for the position of Statutory Auditor and at least one third (in any case rounded upwards) of candidates for the position of Alternate Auditor belong to the less represented gender of said list. Each Shareholder, Shareholders belonging to a significant shareholder agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and entities subject to common control pursuant to article 93 of the TUF, may not present or contribute to the presentation, not even through a third party or trust company, of more than one list, nor may they vote for different lists and each candidate may be included in only one list, otherwise they cannot be elected. Support and votes expressed in breach of this prohibition are not attributed to any list.

The lists presented by the Shareholders must be filed at the Company's headquarters, at least twenty-five days before the date set for the Shareholders' Meeting on first call, save for other types of notification and filing procedures established by applicable pro tempore regulations. If, once the deadline has lapsed, only one list of candidates has been filed or only candidate lists have been filed by shareholders that are connected in a material way with the candidates as per applicable pro tempore laws and regulations, lists may be presented within the deadlines indicated by applicable pro tempore laws and regulations; in this case, the minimum threshold for presenting lists is reduced by half.

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 1% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 13 of 24 January 2019, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

The lists must be presented along with:

- a) information on the identity of the Shareholders presenting the lists, indicating the overall ownership percentage held; ownership of the overall shareholding held, determined as regards the shares registered in the name of the Shareholder on the date when the lists are filed with the issuer, is certified, even after the filing of the lists, according to the deadlines and procedures provided for by legislation, also regulatory, in force at any time;
- b) a statement from Shareholders other than those that, even jointly, hold a controlling or relative majority interest, certifying that no connections exist with the latter, as required by applicable regulations;
- c) comprehensive information on the personal characteristics of the candidates, as well as a declaration issued by the same candidates attesting, under their own responsibility, that (i) there are no grounds of ineligibility and incompatibility, (ii) they possess the requisites prescribed by law and (iii) they accept their candidacy, and lastly the list of management and control positions held in other companies.

Any list presented without complying with the above will be considered as not presented. Each Shareholder may vote for only one list.

Auditors will be elected as follows: from the list that obtained the highest number of votes, in the consecutive order in which they are listed, two statutory auditors and one alternate auditor; from the list that obtained the second highest number of votes and that, in accordance with applicable regulations is not connected, even indirectly, with persons who presented or voted the list that

obtained the highest number of votes, in the consecutive order in which they are listed, one statutory auditor, who will be Chairman of the Board of Statutory Auditors and one alternate auditor.

If lists receive the same number of votes, the Shareholders' Meeting will vote again, with the candidates of the list obtaining a simple majority being elected.

If with the procedures described above, a composition of the Board of Statutory Auditors, in terms of its statutory members, compliant with *pro tempore* legislation in force at any time concerning the balance between genders is not ensured, the necessary replacements shall be made, within the scope of candidates for the office of Statutory Auditor of the list which obtained the greatest number of votes, according to the sequential order in which the candidates are listed.

If only one list is presented or if no list is presented, the Statutory Auditors and Alternate Auditors will be elected from all candidates to these positions in the list or those voted by the Shareholders' Meeting, provided they obtain the relative majority of votes cast in the Shareholders' Meeting and save for compliance with applicable *pro tempore* regulations on gender balance.

If requirements of regulations and the Articles of Association are no longer met, the Auditor is removed from office.

If an Auditor is replaced, the alternate auditor from the same list is appointed. The foregoing is without prejudice to the fact that the Chairman of the Board of Statutory Auditors will be the minority Auditor and the composition of the Board of Statutory Auditors shall comply with applicable *pro tempore* regulations on gender balance.

When the Shareholders' Meeting has to appoint Statutory and/or Substitute Auditors, to make up numbers on the Board of Statutory Auditors, it proceeds as follows: if Auditors elected from the majority list have to be replaced, the appointment is made with a relative majority vote, without list restrictions; conversely, if the Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from among the candidates indicated in the list of the statutory auditor to be replaced.

If the application of the above procedures does not allow, for whatever reason, the replacement of the Statutory Auditors designated by the minority, the Shareholders' Meeting will replace them by relative majority voting; however, in verifying the result of this last voting no account will be taken of the votes cast by the subjects who according to the communications made in compliance with current legal regulation have, even indirectly or jointly with other Shareholders taking part to a Shareholders' Agreement pursuant to article 122 of the TUF, the relative majority of the votes that may be cast at the Shareholders' Meeting, as well as those Shareholders who control, are controlled or are subject to joint control by the same.

The above replacement procedures shall in any event ensure compliance with applicable regulations concerning gender balance.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-bis, paragraph 2, letters d) and d-bis of the TUF)

The Board of Statutory Auditors in office until 10 May 2018, was appointed by the Ordinary Shareholders' Meeting of 13 May 2015.

The Board of Statutory Auditors of the Issuer, in office at the date of this Report was appointed by the Shareholder's General Meeting held on 10 May 2018, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., in conformity with the provisions of the Articles of Association. The Supervisory Board formed in this manner, elected with a percentage of votes in relation to the voting capital equal to 99.27%, shall remain in office until the date of the

Shareholders' Meeting called for approval of the financial statements for the year ending 31 December 2020.

For more information on the list filed for the appointment of the Board, see the website of the Issuer, and the section "*Governance/Shareholders' Meeting/Archive/2018*" or the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

As required by the Corporate Governance Code, the professional *curricula* of Auditors are filed at the registered office and are available on the website of the Issuer www.immsi.it, in the section "*Governance/Management*".

During the year, the Board of Statutory Auditors held 10 meetings lasting on average 2 hours, with an average overall attendance of 100%.

For the year 2019 the Board of Statutory Auditors is expected to meet at least 8 times. At the date of this Report, the Board had met 3 times on the following dates: 1 February, 19 and 25 March 2019.

As regards company policies on diversity in relation to the composition of the Board of Statutory Auditors (article 123-*bis*, letter d-*bis* of the TUF): (i) one Statutory Auditor and one Alternate Auditor are of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 44 to 59 years; (iii) without prejudice to the professional requirements set out by law, the educational and professional backgrounds of members of the Board of Statutory Auditors currently in office ensure that these individuals have the appropriate profiles and experience to ensure that all functions thereof are executed correctly.

Moreover, the outgoing Board of Directors, whose term of office ends on 10 May 2018, included some information for shareholders on the diversity policy adopted for company boards in the Company in reports prepared pursuant to article 125-*ter* of the TUF, with specific reference to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements as of 31 December 2017, and also pursuant to criterion 1.C.1. letter h) of the Corporate Governance Code.

See Table 3 in the appendix.

In the meeting of 10 May 2018 and the meeting of 25 March 2019, the Board of Statutory Auditors, when appointed (the outcome of which was notified on 10 May 2018 to the market), ascertained that its members still met the independence requirements, also based on criteria in the Corporate Governance Code, with reference to Directors. Moreover, during the board meeting of 25 March 2019, save for evaluations in the remit of the Board of Statutory Auditors as regards its composition, the Board, favouring a composition based on substance, resolved the following: (i) to consider appropriate, in the interest of the Company, the non-application of the criterion 3.C.1 point e) of the Corporate Governance Code with regard to the Auditor Alessandro Lai (possessing high professional profiles that over time have proven valuable to the Issuer and are adequate in overall terms for operating within the regulatory and structural framework of Immsi), (ii) to recognise the fulfilment of the requirements of independence pursuant to article 148, paragraph 3, of the TUF and article 3 of the Corporate Governance Code by all the members of the Board of Statutory Auditors.

The characteristics of the Board Report enable the Auditors to gather adequate knowledge of the field of activity in which the Issuer operates, its corporate dynamics and their evolution, as well as the relevant regulatory framework.

As it is considered to be a deontological duty to inform the other Auditors and the Chairman of the Board of Directors whenever an Auditor has, on his own account or on that of third parties, an interest in a specific operation of the Issuer, no provision is made for any specific obligations on the matter.

In carrying out its own activity, the Board of Statutory Auditors is coordinated both with the Internal Audit function and with the Control and Risks Committee. In particular, it is noted that the person in charge of the Internal Audit has participated in some meetings of the Board of Statutory Auditors,

while the Board of Statutory Auditors has participated to the majority of the meetings of the Control and Risks Committee.

Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, identifies the Board of Statutory Auditors as the Internal Control and Audit Committee, appointed to carry out the following activities in particular:

- to inform the competent body of the audit outcome and send the latter the additional report, as per article 11 of Regulation No 537/2014, along with any observations;
- to monitor the financial disclosure process and make recommendations or proposals to ensure the integrity of this process;
- to monitor the effectiveness of internal quality control and business risk management systems and, if applicable, of internal auditing activities, as regards financial disclosures by the organisation subject to audit, without affecting its independence;
- to monitor the auditing of the financial statements and consolidated financial statements, in consideration of any results and findings of quality controls conducted by Consob pursuant to article 26, paragraph 6 of Regulation No 537/2014, where available;
- to verify and monitor the independence of the statutory auditors or independent auditors pursuant to articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree no. 39/2010 and of article 6 of Regulation No 537/2014, in particular as concerns the adequacy of services provided other than those concerned with the auditing of the entity in question, in accordance with article 5 of the aforementioned Regulation;
- to be responsible for the procedure to appoint the statutory auditors or independent auditors or to recommend the appointment of statutory auditors or independent auditors pursuant to article 16 of Regulation No 537/2014.

15. RELATIONSHIPS WITH SHAREHOLDERS

The Company feels that engaging with Shareholders and institutional investors, on the basis of a mutual understanding of roles, is in its own interests and also a duty it has to the market; such a relation should be carried on within the observance of the “Procedure for Communicating Privileged Information to the General Public”, available on the Issuer’s institutional website www.immsi.it, in the section *Governance - Procedures*, and referenced in the above section 5.

It was considered that this relationship with the majority of shareholders and institutional investors could be facilitated via the constitution of dedicated corporate structures, provided with the suitable personnel and organisational resources.

For this purpose, during the meeting held on 15 October 2003, the Board of Directors of the Company decided to establish an Investor Relations Function, which, assisted by the Legal and Corporate Affairs Department, oversees relations with Shareholders and Institutional Investors and carries out specific duties regarding the handling of price-sensitive information, as well as relations with Consob and Borsa Italiana S.p.A.

At the date of this Report, the Investor Relations Manager is Andrea Paroli appointed by the Board of Directors on 13 May 2014. This department can be contacted at: andrea.paroli@immsi.it.

Investor Relations reporting is also ensured by making the most significant corporate documentation available in a timely manner and ongoing basis on the website of the Issuer, in the sections “*Investors and Governance*” and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

For the transmission and storage of the Regulated Information, the Issuer uses the “eMarket SDIR” diffusion system and the “eMarket STORAGE” storage system available at the website www.emarketstorage.com., managed by Spafid Connect S.p.A. – based in Foro Buonaparte 10, Milan – following the authorisation and the Consob resolutions 19878 and 19879 of 15 February 2017.

In particular, the company website provides Italian and English versions of the CVs of Directors and Auditors, all press releases distributed to the market, periodical accounting documents of the Company approved by Company Bodies, as well as documents distributed at meetings with professional investors, analysts and the financial community. It is also possible to view the documentation prepared for the Shareholders' Meetings, the communications on internal dealing, the annual report on the corporate governance system and the ownership structure, and any other document whose publication, on the website of the Issuer, is required by the applicable regulations.

To facilitate prompt reporting to the market, the Company has an e-mail alert service for material published on its site in real time.

16. SHAREHOLDERS' MEETINGS (pursuant to article 123-bis, p. 2, let. c), TUF)

The Shareholders' Meeting represents all Shareholders and its resolutions, passed in compliance with law and the Articles of Association, are binding for all Shareholders, even if not taking part or not in agreement.

The Ordinary Shareholders' Meeting shall be convened at least once a year to approve the financial statements within one hundred and twenty days from the end of the reporting period, or within one hundred and eighty day according to the terms and conditions established by laws.

Ordinary and Extraordinary Shareholders' Meetings are convened by the Board of Directors, also at a venue other than the registered office, provided this is in Italy, by a notice published on the website of the Company and, if required by applicable pro tempore regulations, in a notice published in the Gazzetta Ufficiale della Repubblica or, as decided by the Board of Directors, in at least one of the following newspapers: “Il Sole 24 Ore” or “MF” – “Milano Finanza”, according to the terms established by law and save for any other requirement of applicable regulations and the Articles of Association.

Article 127 - *ter* TUF provides that those who have the right to vote may ask questions on the items on the agenda even prior to the Shareholders' meeting. Questions submitted before the Shareholders' Meeting shall be answered at the latest during the meeting itself, with the option for the Company to provide a joint answer to questions having the same content. The notice convening the meeting indicates the deadline by which questions to submit to the Shareholders' Meeting must be sent to the Company. The deadline may not be before three days prior to the date when the Shareholders' Meeting is convened on first call, or before the five days prior to that date if the notice convening the meeting requires the Company to give replies to the questions. In the latter case, the replies shall be given at least two days prior to the Shareholders' Meeting, and may also be published in a specific section of the Company's Internet site.

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors or by a person acting on his/her behalf or by another person designated by Board of Directors; failing such, the shareholders' meeting shall appoint its own Chairman. The Chairman of the Shareholders' Meeting shall be assisted by a Secretary, appointed by the same Shareholders' Meeting, and said person does not necessarily have to be a shareholder.

Both the Ordinary and Extraordinary Shareholders' Meetings are duly established and may pass resolutions according to law. Each share gives entitlement to one vote.

Ordinary Shareholders' Meetings can: (a) approve the financial statements; (b) appoint and remove Directors, Auditors and the Chairman of the Board of Statutory Auditors and the subject to which the auditing of company accounts is assigned; (c) determine the emoluments of the Directors and the

Statutory Auditors, if not established in the Articles of Association; (d) decide on the responsibilities of the Directors and Statutory Auditors; (e) resolve on any other matters assigned by law to the Shareholders' Meeting, as well as decide on authorisations required by the Articles of Association for activities of Directors, save for the responsibility of Directors for such activities; (f) approve any rules governing meetings; (g) approve any other matters it must resolve on pursuant to law.

The Extraordinary Shareholders' Meeting resolves on amendments to the Articles of Association, the appointment, replacement and powers of official receives and on any other matter expressly assigned to the them by law.

In accordance with article 23 of the Articles of Association, the board competence is derogated to the Board of Directors for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505 and 2505-*bis* of the Civil Code, the latter being referred to by article 2506-*ter* of the Civil Code;
- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the shareholder;
- amendments to the Articles of Association in order to comply with legal provisions;
- transfer of the registered office to another location in Italy.

Such decisions may also be taken by an Extraordinary Shareholders' Meeting.

Applicable laws and regulations in force govern the rights of shareholders; besides that which has already been stated in the above paragraphs in this Report.

Pursuant to article 12 of the Issuer's Articles of Association, all shareholders registered as of the seventh market trading day prior to the first scheduled date of a Shareholders' Meeting, as notified to the Company within the statutory term by the intermediary responsible by law for the keeping of shareholder accounts, are entitled to attend the shareholders' meeting and exercise their voting rights. To this end, reference is made to the date of the first call, as long as the dates of any subsequent calls are indicated in the single notice convening the meeting; otherwise, reference is made the date of each meeting call.

The credit and debit entries made in the accounts after said deadline are irrelevant for the purposes of entitlement to exercise voting rights at the Shareholders' Meeting.

All subjects with voting rights may appoint, in writing, a proxy to attend and vote on their behalf. The electronic notification of the proxy may be carried out, in accordance with the methods specified in the meeting notice, sending a message to the certified e-mail box indicated in the meeting notice itself or using a special section of the Company's web site.

The Chairman of the Shareholders' Meeting has the duty to ascertain the regularity of the proxies and the right of those present to attend the Shareholders' Meeting, as well as to establish the rules for its performance including therein the timing of any speakers.

The Issuer takes action to aid and encourage the fullest participation of the Shareholders in the meetings and to use these meetings as a moment of dialogue and liaison between the Company and the Investors, guaranteeing, to all the participants legitimated to intervene, the right to be able to express their opinion in relation to the topics on the agenda.

The Company does not currently see the need to propose the adoption of a specific regulation governing Shareholders' Meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest participation and expression in shareholder discussions.

The Board, through the Chairman and the Chief Executive Officer, reports to the Shareholders' Meeting on the activity it has performed and programmed, taking steps to assure the Shareholders,

also on the basis of what is illustrated in the above section 15, the necessary information so that they can knowledgeably make their decisions.

At the Ordinary Shareholders' Meeting of the Issuer, held on 10 May 2018, 7 Directors took the floor, out of 9 in office on the Board of Directors, as well as the Chairman of the Board of Statutory Auditors and one Statutory Auditor.

It is also deemed that the Shareholders were adequately informed about the operation of the Remuneration Committee through the Remuneration Report, prepared by the Company pursuant to article 123-ter of the TUF, and published on the Issuer's institutional website, in the section "Governance/General Meeting/Archive" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com. The Company also has distributed a copy of the same to all the Shareholders who attended the General Meeting, in order to facilitate the expression of the advisory vote.

In the meeting of 25 March 2019, the Board decided that it was not necessary to propose amendments to the Shareholders' Meeting concerning the percentages established to protect minorities as, in accordance with article 144-quater of the Consob Regulation on Issuers on presenting lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 17 and 25 of the Articles of Association of the Issuer have established a requirement of 2.5% and 1% of the share capital with voting rights, or as otherwise required by applicable laws or regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 13 of 24 January 2019, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Issuer.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2, letter a) of the TUF)

The Issuer does not adopt practices of corporate governance other than those required by the laws and/or regulations, described in this Report.

18. CHANGES AFTER THE FINANCIAL YEAR-END

At the date of closing the year, no change has occurred to the corporate governance structure, than those notified within the specific sections.

19. CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE, 21 DECEMBER 2018

The letter of 21 December 2018 from the Chairman of the Corporate Governance Committee to the Chairs of the Boards of Italian listed companies was brought to the attention of the Board of Statutory Auditors of the Issuer in the meeting of 1 February 2019 and Board of Directors in the meeting of 25 March 2019.

The Board acknowledged the analyses and recommendations in the letter and considered the Company to be adequate in overall terms in relation to indications on the quality of pre-board meeting information (see section 4.3 of this Report), the adoption of independence criteria (see section 4.6 of this Report) and procedures for conducting the board review (see section 4.6 of this Report). As regards remuneration policies, reference is made to this Report and the Remuneration Report prepared pursuant to article 123-ter of the TUF.

TABLE 1: INFORMATION ON CORPORATE OWNERSHIP

STRUCTURE OF THE SHARE CAPITAL at 31/12/2018				
	N° of Shares	% of share capital	Listed	rights and obligations
Ordinary shares	340,530,000	100%	MTA Standard Segment	Articles 2346 and following of the Civil Code
Shares with multiple voting	-	-	-	-
Shares with restricted votes	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (giving the right to subscribe for newly issued shares) at 31/12/2018				
	Listed (indicate the markets) / not listed	Number of instruments in issue	Class of shares for the conversion / exercise	Number of shares for the conversion / exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

SIGNIFICANT HOLDINGS IN THE SHARE CAPITAL at 31/12/2018			
Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	Omniaholding S.p.A.	15.69%	15.69%
	Omniainvest S.p.A.	44.14%	44.14%
	Total	59.83%	59.83%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control and Risks Committee		Remuneration Committee		Nomination Committee		Executive Committee (as applicable)	
Position	Members *	Year of birth †	Date of first appointment *	In office since	In office up to	List **	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. of other positions ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman ◊	Roberto Colaninno	16/08/1943	31/01/2003	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X				6	6/6								
Deputy Chairman ○	Daniele Discepolo	20/07/1947	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	22	6/6	8/8	P	2/2	P	2/2	M/P		
CEO •	Michele Colaninno	23/11/1976	13/11/2006	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X				10	6/6								
Director	Matteo Colaninno	16/10/1970	31/01/2003	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			3	6/6								
Director	Patrizia De Pasquale	02/04/1961	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	-	5/6								
Director	Ruggero Magnoni	10/02/1951	27/08/2010	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			14	5/6								
Director	Rita Ciccone	06/06/1960	11/05/2012	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	5	4/6	5/8	M	2/2	M	2/2	M		
Director	Livio Corghi	15/02/1946	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			2	5/6								
Director	Gianpiero Succi	14/11/1974	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			-	3/4								
Director	Paola Mignani	17/04/1966	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	6	4/4	4/4	M	1/1	M	0/0	M		
Director	Devis Bono	26/12/1967	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	1	4/4								
----- DIRECTORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD -----																				
Director	Giovanni Sala	14/04/1938	13/11/2008	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X	X	X	6	2/2	4	M	1/1	M	2/2	P		
Number of Meetings held during the reporting period – BoD: 6						Control and Risks Committee: 8				Remuneration Committee: 2		Nomination Committee: 2		Executive Committee: -						
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 147-ter TUF): 2.5%																				

• Internal control and risk management system director. ◊ Chief Executive Officer or CEO ○ Lead Independent Director (LID).

∞ 36.36% of Directors are female, while 63.64% are male. ► 27.27% of Directors are in the 30-50 age bracket, while 72.73% are over 50.

* Date when the director was first appointed to the Board of the issuer.

** List from which each director was appointed ("M": majority list; "m": minority list; "BoD": list presented by the Board of Directors).

*** Number of positions held as director or auditor by the person in other companies listed on regulated markets, also abroad, and in financial, banking, insurance or large-scale companies.

(*) Participation of directors in meetings of the Board of Directors and committees (indicate the number of meetings attended and the total number of meetings the person could have attended;

(**) Qualification as director within the Committee: "P": Chairman; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Position	Members [∞]	Year of birth [►]	Date of first appointment [*]	In office since	In office up to	List ^{**}	Indep. Code	Involvement in Board meetings ^{***}	No. of other positions ^{****}
Chairman	<i>Alessandro Lai</i>	10/01/1960	05/05/2003	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X	10/10	8
Statutory Auditor	<i>Giovanni Barbara</i>	19/12/1960	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X	4/4	8
Statutory Auditor	<i>Maria Luisa Castellini</i>	15/01/1967	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X	4/4	4
Alternate Auditor	<i>Gianmarco Losi</i>	22/07/1964	29/04/2009	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X	--	--
Alternate Auditor	<i>Elena Fornara</i>	31/05/1974	29/04/2009	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X	--	--
----- AUDITORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD -----									
Statutory Auditor	<i>Daniele Girelli</i>	16/05/1960	11/05/2012	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M	X	6/6	--
Statutory Auditor	<i>Silvia Rodi</i>	07/12/1977	13/05/2015	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M	X	6/6	--
Number of meetings held during the reporting period: 10									
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 148-ter TUF): 2.5%									

∞ 33.3% of auditors are female, while 66.7% are male.

► 100% of auditors are aged over 50.

* Date when the auditor was first appointed to the Board of Statutory Auditors the issuer.

** List from which each auditor was appointed ("M": majority list; "m": minority list).

(*) Participation of auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings attended and the total number of meetings the person could have attended);

**** Total number of positions held with other companies pursuant to Book V, Section V, Parts V, VI and VII of the Civil Code. For information on the positions of director and auditor held by members of the Board of Statutory Auditors, which are relevant pursuant to articles 144-duodecies et. seq. of the Consob Issuer Regulation, see data published by Consob pursuant to article 144-quinquiesdecies of the Consob Regulation on Issuers, on the website www.sai.consob.it in the section "Company Boards – Information for the public".

Attachment 1: Section on the “Main characteristics of risk management and internal controls systems established in relation to the financial disclosure process,” pursuant to article 123-bis, paragraph. 2, letter b) of the TUF

Introduction

Immsi S.p.A. has established specific guidelines to update its own Internal Control System on financial disclosure, requesting Delegated Company Bodies and Delegated Managers (where appointed) / Administrative Directors of subsidiaries, formal certification vis-à-vis the Chief Executive Officer and Financial Reporting Officer on the adequacy and effective application of administrative and accounting procedures adopted to prepare documents on consolidation sent to the parent company.

Aims and objectives

As regards financial reporting of the Immsi Group, the risk management and internal control system was developed using the “COSO Report” as a reference model³, according to which the Internal Audit System, in its broadest meaning, is defined as “*a process, carried on by the Board of Directors, the Executives and other subjects in the business structure, finalised at providing reasonable certainty on the attainment of the objectives in the following categories:*

- *Effectiveness and efficiency of operations;*
- *Reliability of financial reporting;*
- *conformity with applicable laws and regulations”.*

In relation to the financial disclosure process, these objectives are mainly identified in the reliability, accuracy, dependability and timeliness of information.

Main characteristics of the risk management and internal control system in relation to the financial disclosure process

Methodological approach

The internal control and risk management system in relation to Immsi Group financial disclosure is part of the Group’s wider-ranging Internal control and risk management system, which includes the following:

- Code of Ethics;
- Compliance programme pursuant to Legislative Decree no. 231/2001 and related protocols;
- Market Abuse Regulation procedures;
- Principles and procedures for material transactions and transactions with related parties;
- the System granting powers and proxies;
- Company Organisation Chart and Job profiles;

³The COSO Model, developed by the *Committee of Sponsoring Organizations of the Treadway Commission* - “*Internal Control – Integrated Framework*” published in 1992 and updated in 2013 by the *Committee of Sponsoring Organizations of the Treadway Commission*.

- Procedure on reporting information to the Market;
- Risk Analysis process adopted (Risk Assessment);
- Accounting and Management Control System.

In turn, the Accounting and Management Control System of Immsi S.p.A. comprises a set of procedures and operative documents, including:

- the Accounting and Administrative Auditing Model – a document available to all employees directly involved in the process of preparing and/or controlling accounting information and aimed at defining the operating procedures of the Accounting Auditing System;
- The Group Accounting Manual – a document designed to promote the development and application of standard accounting policies across the Group for the recognition, classification and measurement of operations;
- Operating instructions for financial statements and reporting and closing schedules – documents designed to instruct various company departments on specific operational procedures for preparing financial statements within established deadlines;
- Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

The Accounting and Administrative Control Model of Immsi S.p.A. defines a methodological approach for the risk management and internal control system, comprising the following stages:

- a) Identification and assessment of risks involved in financial disclosure;
- b) Identification of controls to minimise risks identified;
- c) Assessment of controls to minimise risks identified and the management of any problems found.

Elements of the system

a) Identification and assessment of financial disclosure risks

Risks connected with the preparation of financial reports are identified through a step-by-step *risk assessment* process. The process involves identifying the objectives that the internal control system for financial disclosure is expected to deliver, so as to ensure that financial reports are fair and truthful. Those objectives cover the assertions made in financial reports (regarding the existence and occurrence of events, comprehensiveness, rights and obligations, the measurement/recognition of items, presentation and disclosures) and other control objectives (such as, for example, compliance with approval limits, the separation of roles and responsibilities, the documentation and traceability of transactions, and so on).

Risk assessment, including the risk of fraud, is therefore focused on the different areas of the financial statements in which the failure to deliver control objectives would have a potential impact on financial disclosure requirements.

The process to determine the scope of entities and processes that are “significant” in terms of potential impact on financial disclosure identifies, with reference to the consolidated financial statements of the Group, financial statement items, subsidiaries and administrative accounting processes considered as significant, based on evaluations made using quantitative and qualitative parameters.

Those criteria are determined by:

- by determining the quantitative threshold values to compare accounts of the consolidated financial statements and the relative contribution of subsidiaries within the framework of the Group;
- making qualitative judgements on the basis of managers' knowledge of the company and existing specific risk factors inherent to administrative-accounting processes.

b) Identification of controls for identified risks;

The controls needed to mitigate risks identified in administrative-accounting processes are identified by considering, as mentioned earlier, the control objectives associated with financial disclosure.

In particular, the accounts of the financial statements classified as significant are connected to the business processes underlying them in order to identify controls that meet the objectives of the internal control and risk management system for financial disclosure. Assessments are then made of the adequacy and effective application of the controls identified. For automatic controls, the assessment of adequacy and effective application also concerns general IT controls on the software applications used to support processes of material relevance.

The functions involved in the financial disclosure process ensure that administrative and accounting procedures and relative controls are updated, as concerns areas in their remit.

If, after defining the scope of actions, sensitive areas are identified which are not regulated, either wholly or in part, by administrative and accounting procedures, existing procedures are supplemented and new procedures are formalised, overseen by the Executive in Charge of Financial Reporting, in relation to management areas in his remit.

c) Evaluation of controls for identified risks and management of any problems detected

The financial audit system is reviewed and assessed regularly at least once every six months, and when the separate annual financial statements, consolidated annual financial statements, and the condensed consolidated interim financial statements are each prepared.

Evaluations related to the adequacy and actual application of administrative and accounting procedures and controls in these procedures are developed through specific monitoring (testing) based on best practices in this sector.

Testing is done throughout the financial year, as arranged and coordinated by the Executive in Charge of Financial Reporting through his own department, supported if necessary by the internal audit department or appropriately selected external consultants.

Control tests are run on the administrative and functional departments coordinated by the Executive in Charge of Financial Reporting or by his officers, assisted by the Internal Audit department to ensure that controls for administrative and accounting procedures are carried out, in addition to specific focused controls on companies, processes and accounting entries.

Delegated bodies and administrative managers of subsidiaries report to the Executive in Charge of Financial Reporting on the monitoring of the adequacy and application of administrative and accounting procedures.

The Executive in Charge of Financial Reporting, assisted by the Internal Auditing Manager, produces a report summarising the results of evaluations on controls for previously identified risks (Management Summary). This is based on the outcome of monitoring activities, also carried out by delegated administrative bodies and based on statements received from managers. The assessment made of controls may entail the identification of compensatory controls, corrective measures or improvement plans to address any problems identified.

Once cleared by the Chief Executive Officer, the management summary is sent to the Board of Statutory Auditors, to the Internal Control and Risk Management Committee, and to the Board of Directors.

Roles and departments involved

The risk management and internal control system for financial disclosure is governed by the Financial reporting manager appointed by the Board of Directors. Working in concert with the Chief Executive Officer, the financial reporting manager is responsible for designing, implementing and approving the Financial and Administrative Audit Model, assessing its application and issuing an attestation statement for the separate and consolidated annual and interim financial statements, and the separate, consolidated and half-year reports.

The Financial Reporting Officer is also responsible for preparing adequate administrative and accounting procedures for preparing the financial statements and consolidated financial statements and, assisted by the Internal Audit Department, provides subsidiaries that are considered as significant within the framework of the Group financial disclosure process, with guidelines for carrying out appropriate activities to evaluate their own Accounting Control System.

In carrying out activities, the Executive in Charge of Financial Reporting:

- interacts with the Internal Audit Department / Internal Audit Department Manager, that carries out independent audits on the operation of the control system and assists the Financial Reporting Officer, and interacts with the Legal and Corporate Affairs Department as regards regulatory and legal compliance concerning financial disclosure;
- is assisted by Function Managers. These managers ensure complete, reliable information flows to the Executive in Charge of Financial Reporting, for areas in their remit, for accounting disclosure purposes;
- co-ordinates the activities of the administrative managers of "material" subsidiaries, who, together with their executive officers, are tasked with implementing a suitable financial audit system in their respective companies to control administrative-accounting processes, assessing the effectiveness of the system over time, and reporting outcomes to the parent company via internal attestation statements;
- exchanges information with the Control and Risks Committee and with the Board of Directors, reporting on activities carried out, on the use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, and on the adequacy of the internal control and risk management system as regards financial disclosure, as part of a wider overall evaluation of corporate risks.

Finally, the Board of Statutory Auditors, the Control and Risks Committee and the Supervisory Board are informed of the adequacy and reliability of the administrative/accounting system.