

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE 2017

INTRODUCTION

This report on corporate governance and ownership structure (the “**Report**”) describes the corporate governance system adopted by Italmobiliare S.p.A. (hereinafter also referred to as “**Italmobiliare**” or the “**Company**” or the “**Issuer**”).

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Code of Conduct for listed companies promoted by the Committee for Corporate Governance, (hereinafter the “**Code of Conduct**” or the “**Code**”, available on the Italian Stock exchange website www.borsaitaliana.it).

This Report also illustrates the reasons underlying the non-implementation of certain recommendations of the Code, which the Company’s board of directors (the “**Board of Directors**”) decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main features of the internal control and risk management system adopted by Italmobiliare (the “**Internal Control and Risk Management System**”), also with reference to financial and non-financial reporting processes.

This Report, approved by the Board of Directors on 6 March 2018, is published in the section “Governance/General Meetings” on the Company’s website (www.italmobiliare.it).

The information contained in this Report refers to 2017 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

The format of this Report essentially complies with the “Format for reports on corporate governance and ownership structures” by Borsa Italiana, VII Edition, January 2018 (the “**Format**”).

1.0 PROFILE OF THE ISSUER ITALMOBILIARE

Italmobiliare is an investment holding company that holds and manages a diversified portfolio of investments and shareholdings with a strategic vision supported by more than one hundred and fifty years of industrial and financial history.

The Issuer plays an active, continuous role in the portfolio growth and enhancement process, uniting development, internationalization and innovation with an effective governance and risk management model.

The Company adopts the traditional governance model characterized by the presence of a Board of Directors and a board of statutory auditors (the “**Board of Statutory Auditors**”), both appointed by the Italmobiliare shareholders’ meeting (the “**Shareholders’ Meeting**”), considering it the most suitable governance system to combine “efficient management” with “effective control”, and simultaneously pursue the satisfaction of the interests of the Issuer’s shareholders (the “**Shareholders**”) and the enhancement of the management value.

The Company Corporate Governance system has been devised from the following codes and internal regulations, as well as the Issuer’s by-laws (the “**Company By-laws**” or the “**By-laws**”):

- a) Organizational, Management and Control Model and Code of Ethics.
- b) Procedure on the management of confidential and inside information.
- c) Code of Conduct (internal dealing).
- d) Procedure for Transactions with Related Parties.
- e) Procedure to list the names of parties with access to inside information (the insider list).
- f) Market sounding procedure.
- g) Regulation of the manager in charge of financial reporting (“**Manager in charge**”).

As noted above, the Corporate Governance system of the Company also complies with the provisions and standards set out under the Code, with the exceptions described in more detail in this Report.

The procedures concerning inside information and its processing were adopted as a result of the entry into force of EU Regulation no. 596/2014 (Market Abuse Regulation - MAR), taking into account the relative implementing provisions and considering the recommendations of the European Securities and Markets Authority (ESMA) as well as the Consob Guidelines on the “Management of Inside Information” of October 2017.

With respect to the communication of “non-financial” and “diversity” information (“NFI”) pursuant to Directive 2014/95/EU adopted in Italy with Legislative Decree no. 254 of 30 December 2016, by resolution of 6 March 2018 the Board of Directors approved the consolidated non-financial statement for the year ended as at 31 December 2017 in a separate format from the Directors' Report. On this point, at its meeting held on 6 November 2017 the Board of Directors approved the attribution of functions for the supervision and monitoring of the application of the NFI regulation to the Risk and Sustainability Committee (the name of which was simultaneously changed), deeming that it was unnecessary to establish an additional board committee.

The texts of the above mentioned documents are available on the Company's website, except for: (i) the Regulation for the Manager in Charge (Dirigente Preposto), available to the members of the Board of Directors (the “**Directors**”), the Board of Statutory Auditors (the “**Statutory Auditors**”) and the Finance, Administration and Control Directors of the Company and all the Group companies reporting to the Issuer (the “**Group**”) by distribution in electronic format; and (ii) only the special Part of the Organizational, Management and Control Model, available to all employees in the Company using electronic means.

At the date of publication of this Report, the Company is beginning to complete the activities required to adjust its governance and processes to the provisions laid out by EU Regulation 679/2016 on the General Data Protection Regulation (GDPR), the rules of which will become binding and fully operative as of next 25 May.

The Company, as holding company of the Group, has always been actively committed in modernizing its business culture in order to meet the challenges arising from developments in corporate governance rules. This process fostered and enhanced the sharing of values and the recognition and adoption of good rules of corporate governance, hand in hand with the dissemination of a business culture whose aims are transparency, adequate management and effective control.

The corporate governance structure adopted by the Company, as set up in the binding articles of the Company By-laws and the provisions of the above-mentioned codes and policies, confirms and bears witness to Italmobiliare commitment to comply with national and international best practices.

2.0 INFORMATION ON OWNERSHIP STRUCTURES

a) Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented

The share capital of Italmobiliare amounts to euro 100,166,937, fully subscribed and paid in, divided into 47,633,800 ordinary shares without a nominal value, with the right to vote at the Company's ordinary and extraordinary Shareholders' Meeting.

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may ask, within the deadlines envisaged by the law in force, for the items on the agenda of the shareholders' meeting to be supplemented, stating in their request which further issues are being suggested or for further resolutions' proposals on the items already on the Agenda. In addition, shareholders who, individually or with other shareholders, can prove that they hold an overall stake in the share capital with voting rights that is no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the By-laws.

The new composition of the Italmobiliare share capital, as described above, became effective as of 15 May 2017, following the entry into force of the resolution passed by the Extraordinary Shareholders' Meeting which approved the following on 19 April 2017: (i) the partial voluntary public takeover bid on treasury shares pursuant to Articles 102 et seq. of Legislative Decree 58/1998 (the "TUF"), on 4,000,000 ordinary shares issued by Italmobiliare, corresponding to roughly 8.397% of the share capital, at the price of euro 25.00 (ex dividend 2016) per Share; and (ii) the splitting of the shares with no indication of the nominal value according to the ratio of 2 new shares (ISIN: IT0005253205 coupon 1 et seq. entitlement 1/1/17) for each Share (ISIN: IT 0000074598 coupon 27 et seq. entitlement 1/1/17) starting from 15 May 2017 (and, therefore, subsequent to the 2016 dividend registration date of 8 May).

As a result of the effectiveness of the above-mentioned extraordinary transactions, on 15 May 2017 the text in place at the address www.italmobiliare.it in the section "Governance/Documentation /By-laws" was also updated on the same date, and filed at the Milan Business Registry.

The Company has no savings shares or other categories of shares other than the ordinary shares.

The Company does not have any stock option plans either for Directors or for officers. However, based on the assignments resolved in the last few years for the incentive plans in force from time to time, cancelled for the unexecuted portion, as at the date hereof 455,000 options on the stock option plan for Directors, and 159,100 options on the stock option plan for officers are exercisable.

No additional categories of financial instruments granting rights to subscribe newly issued shares, other than the above-mentioned options, have been issued by the Company.

b) Restrictions on share transfers

No restrictions exist on share transfers, such as limits to the possession of shares or acceptance clauses, by the Company or other shareholders.

c) Significant shareholders as disclosed pursuant to Article 120 of TUF (Consolidated law on finance)

The list of Shareholders who have significant shareholdings in the share capital as at 31 December 2017 is shown below, in accordance with Company records pursuant to the communications made in accordance with Article 120 of TUF (Consolidated law on finance).

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

On the basis of publicly available information

SHARE CAPITAL STRUCTURE				
	No. of shares	% of the share cap.	Listed (indicate markets) / non listed	Rights and obligations
Ordinary shares	47,633,800	100%	MTA	Pursuant to the law and the Company By-laws
Shares with multiple votes	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares with no voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (granting rights to subscribe newly issued shares)				
	Listed (specify the markets) / unlisted	No. of instruments outstanding	Category of shares for conversion/exercise	No. of shares for conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

RELEVANT SHAREHOLDINGS			
Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
Efiparind B.V. (indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)	20,969,250	44.00%	49.99%
Serfis S.p.A.	4,577,884	9.60%	10.91%
Mediobanca S.p.A.	2,894,044	6.10%	6.89%
First Eagle Investment Management, LLC	3,130,484	6.60%	7.46%
Italmobiliare (treasury shares)	5,690,870	11.90%	

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

There are no special powers and the Company By-laws do not provide for shares with multiple or increased votes.

e) Employee shareholdings: mechanism for exercising voting rights

There is no specific shareholdings' system for employees.

f) Restrictions on voting rights

There are no restrictions on the exercise of voting rights.

g) Shareholders' agreements pursuant to Article 122 of TUF, of which the company is aware

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights assigned to the shares and the transfer of such shares or any of the situations envisaged by Art. 122 of TUF.

h) Change of control clauses and By-laws provisions on takeover bids

According to the policy to support its activity, the Company and some of its subsidiaries entered into loan agreements which, according to standard contractual practice, grant the lender organization, in case of a change of control of the Company, the right of withdrawal, or the right to terminate the loan contract early, with the consequent right to demand the remaining principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

As far as takeover bids are concerned, the Company By-laws do not provide for waivers to the provisions of TUF related to the passivity rule or the application of the breakthrough rules.

With reference to the agreements between the Company and the Directors that envisage compensation in the case of resignation or unfair dismissal or if the office ends following a takeover bid, please refer to the Remuneration Report published in accordance with Article 123-ter of the TUF.

i) Authority to increase the share capital and authorizations to purchase treasury shares

On 29 May 2012, the Extraordinary Shareholders' Meeting decided to "grant the Directors the powers, in one or more times within a period of five years from the resolution:

- under Art. 2443 of the Italian Civil Code, to increase share capital once or more times up to a maximum amount of euro 260 (two hundred and sixty) million, free-of-charge or against consideration, by issuing ordinary and/or savings shares, also to serve bonds issued by other entities convertible into ordinary and/or savings shares of the Company or that are combined with warrants for the subscription of ordinary and/or savings shares of the Company;
- under Art. 2420-ter of the Italian Civil Code, to issue once or in various times bonds to be converted into ordinary and/or savings shares or with warrants to acquire ordinary and/or savings shares, up to a maximum overall amount of euro 260 (two hundred and sixty) million, in compliance with the terms and conditions established by the laws and regulations in force from time to time, with the consequent share capital increase to serve such conversion or the exercise of the captioned warrant.

All with the widest powers connected thereto, including those of offering the shares and convertible bonds or with a warrant according to the penultimate clause of Art. 2441 of the Italian Civil Code; reserve up to a quarter of them under Art. 2441 of the Italian Civil Code, last clause; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion ratios, terms and modes for the execution of the transactions".

At the date of this Report, the authorization pursuant to the resolution mentioned above has expired.

The Company has not issued equity instruments of any kind, nor do the By-laws grant any power for their issue to Directors as of the date hereof.

On 19 April 2017, the Shareholders' Meeting resolved:

"1. to revoke the resolution authorizing the acquisition and disposal of treasury shares adopted by the Ordinary Shareholders' Meeting of 21 April 2016;

2. to authorize, pursuant to and in accordance with Art. 2357 of the Italian Civil Code, the acquisition, on one or more occasions for the period of 18 (eighteen) months as of the date of this resolution, of ordinary shares of the Company, up to a maximum which, taking into account the Italmobiliare S.p.A. ordinary shares held from time to time in the portfolio by the Company and by its subsidiaries and the shares that may be acquired as part of the voluntary takeover bid, is no higher than the maximum limit established by regulations applicable pro tempore, granting a mandate to the Board of Directors to identify the amount of shares to be acquired in relation to each of the purposes laid out above before the initiation of each individual acquisition program;

3. to establish that the consideration of the treasury shares acquired shall not be 15% lower or higher than the average reference price recorded in the Italian Stock Exchange during the three trading sessions preceding each individual acquisition transaction;

4. to authorize the Board of Directors to, pursuant to and in accordance with Article 2357-ter of the Italian Civil Code, dispose, at any moment, all or in part, on one or more occasions, of the treasury shares acquired under the authorization pursuant to point 2 above, through their sale in the stock market or outside the market, also for the purpose of any acquisitions and/or for the development of alliances consistent with the strategic policies of the Italmobiliare group, or as part of any future distribution of dividends or reserves in kind, or as part of the management and employee incentive plans, or to intervene, in compliance with provisions in force, directly or via intermediaries, to limit anomalous price fluctuations and to regularize trading and pricing trends, against temporary distorting phenomena linked to excess volatility or low trading liquidity, in accordance with the terms, methods and conditions of the deed of disposal of the treasury shares deemed most appropriate in the interest of the Company, without prejudice to the fact that the unit sale price (or in any event the unit value established as part of the disposal transaction) cannot in any case be lower than the average book value of the shares acquired on the basis of the authorization (without prejudice to the fact that this limit shall not be applicable if the disposal of shares takes place with employees of Italmobiliare

SpA and its subsidiaries, parent companies and other companies controlled by the latter or members of the Board of Directors of Italmobiliare SpA who hold particular offices in compliance with the deed of incorporation or who have specific operational duties, as part of the share-based incentive plans for employees and Directors (“stock option plans”), as well as in the case of the use of treasury shares within the context of any extraordinary finance transactions or for other uses deemed of financial, operational and/or strategic interest for the Company). The authorization pursuant to this point is granted with no time limits;

5. to provide, pursuant to the law, that the acquisitions pursuant to this authorization be restricted within the limits of distributable profits and available reserves as set forth in the most recent financial statements (including interim) approved at the moment the acquisition is carried out;

6. to grant a mandate to the Board of Directors for it to make the appropriate accounting entries resulting from the treasury share acquisition and disposal transactions, in observance of provisions of law and the accounting standards applicable from time to time;

7. to grant a mandate to the Chairman of the Board of Directors and to the Chief Executive Officer in office pro tempore, with the right to sub-delegate, so that, even separately and by means of proxies, they may enact the transactions subject to this resolution”.

Within the scope of the authorization decided on, the Company purchased 3,999,832 treasury shares during the year, and granted some of the shares held in its portfolio to stock options’ beneficiaries, who exercised vested rights.

Therefore, on 31 December 2017, the Company held 5,690,870 ordinary treasury shares, equal to 11.9% of the share capital part of which to be used to serve the “Stock option plan for Directors” and the “Stock option plan for Officers”.

I) Management and coordination activity

Efiparind B.V. is the relative majority shareholder of Italmobiliare.

As at 31 December 2017, according to publicly accessible data as well as other information held by the Company, Efiparind B.V. indirectly holds, net of the treasury shares held by Italmobiliare itself, 49.99% of Italmobiliare ordinary shares, representing the share capital with voting rights.

Pursuant to the joint provisions of Arts. 2497 et seq. and Art. 2359 of the Italian Civil Code, no company or entity exercises management and coordination activity over Italmobiliare.

3.0 COMPLIANCE

Italmobiliare complies with the Code of Conduct.

The Code can be accessed by the public on the website of the Committee for Corporate Governance of Borsa Italiana at the website: <http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm>.

Although the Company did not follow the Code recommendation regarding the establishment of the Appointment Committee in the year ended at 31 December 2017, on 6 March 2018 the Board of Directors resolved, *inter alia*, to attribute the appointment functions specified in the Code to the already formed Remuneration Committee.

Although in the year ended at 31 December 2017 the Board of Directors did not follow the recommendations of the Code regarding i) the adoption of a succession plan for executive Directors and ii) the adoption of the Shareholders’ Meeting Regulation, it however granted a mandate during its meeting on 6 March 2018 to the competent board bodies to evaluate possible developments in these areas. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

The Board of Directors is always open to evaluating any new orientations that may occur in the Code and their possible inclusion in the Company’s corporate governance system, provided that, consistently with Company policy, the recommendations given by the Code allow the Company to enhance its trustworthiness towards investors.

The Company or its strategically significant subsidiaries are not subject to provisions of non-Italian law that influence the Company's corporate governance structure.

4.0 BOARD OF DIRECTORS

The Board of Directors is responsible for defining the strategic direction of the Company and the Group and it is in charge of the management. To this end, pursuant to the By-laws, it is vested with all the necessary powers for the ordinary and extraordinary management of the Company, since it is competent on everything that is not expressly reserved by law and the By-laws to the Shareholders' Meeting.

In addition to the powers conferred to it by law and by the By-laws regarding the issue of shares and bonds, the resolutions concerning the following matters are also entrusted to the Board of Directors - without prejudice to the Shareholders' Meeting authority, existing by operation of law -, in compliance with Art. 2436 of the Italian Civil Code:

- incorporation of companies that are fully owned or at least 90% owned;
- transfer of the registered office, as long as within the (Italian) national territory;
- establishment or closure of branches, whether in Italy or abroad;
- reduction of share capital in the event of withdrawal of a shareholder;
- amendment of the By-laws to comply with mandatory legal provisions.

The Board of Directors, in compliance with the provisions of the By-laws, meets at least once in each calendar quarter. At such meeting, the delegated bodies report to the same Board of Directors and to the Board of Statutory Auditors on significant transactions put in place in the exercise of delegated powers.

4.1 APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS

The Company By-laws, in compliance with the provisions of current legislation, provide that the appointment of the Board of Directors shall occur on the basis of lists that ensure that the minority shareholders obtain the minimum number of Directors required by law and should comply with the regulations in force concerning the gender balance.

Lists must be filed at the Company's head offices at least 25 days before the date set for the Shareholders' Meeting on first or single call; this, together with the conditions and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights not lower than that determined by Consob pursuant to the regulations in force. No shareholder may file or participate in the filing of more than one list, directly or through a nominee or trust company, or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, not even through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

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

Pursuant to the By-laws, the lists that have a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender may be represented by at least one third (rounded upwards) of the candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:

- accept their candidature;
- state, under his/her own responsibility:
 - the non-existence of causes of ineligibility;
 - fulfilment of the good reputation requirements established by the law;
 - the possession of any independence requirements that may be required by the law and the Code. The latter is a principle already contained in the Code of Conduct originally adopted by the Company, now outmoded by the Code and which the Company has complied with. The Board of Directors considered it appropriate to keep this principle in line with the best practices governing the matter.

b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

The By-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF. Any elected Directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office. A number of Directors that is not less than the minimum amount required by law must possess the independence requirements provided under current legislation.

If the list filed does not comply with the above provisions will be considered as not presented.

At least 21 days before the Shareholders' Meeting date, the Company makes available at the Company premises, at the stock exchange and on its website, the lists of candidates which have been filed by shareholders along with supporting documentation.

In the event of filing of more than one list:

- a) all the Directors are elected from the list that obtains the highest number of votes at the Shareholders' Meeting, in the order in which they are listed, except for the minimum number reserved by law for the minority shareholders' list;
- b) the minimum number of Directors reserved by law to minority shareholders are elected from the minority shareholders' list that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- c) should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

For the purposes of the apportioning of the Directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is significant for the purposes of excluding the minority shareholders' elected Director only if this vote was crucial for the election of said Director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on lists or the voting on the only list presented, the composition of the Board of Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the list that has obtained the highest number of votes or within the only list presented, starting from the candidate in the last place of the same list. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the list that has obtained the highest number of votes, or within the only list presented.

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of Directors holding the independence qualification required by the law is guaranteed.

If during the year one or more Directors should cease to hold office, due to resignation or any other reason, the others shall make provision to replace them with a resolution approved by the Board of Statutory Auditors, provided that the Directors appointed by the Shareholders' Meeting continue to constitute the majority.

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the Directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves upon the replacement of Directors, in compliance with the above principles, with a simple majority of the share capital represented at the Shareholders' Meeting.

The term of office of Directors appointed this way will end at the same time as that of the Directors serving at the time of their appointment.

No limits to re-eligibility of Directors have been envisaged, although Directors holding the same position for more than nine years in the last twelve years could be considered - on a voluntary basis - no longer to meet the independence qualification pursuant to the Code.

The Company is not subject to additional rules on the composition of the Board of Directors.

The rules applicable to the amendment of the By-laws do not deviate from the legislative and regulatory rules applicable on a supplementary basis.

The Board of Directors decided not to adopt succession plans for Executive Directors, as laid out by Application Criterion 5.C.2 of the Code.

4.2 COMPOSITION

The composition of the Board of Directors as at 31 December 2017 is shown in Table 2 attached to this Report, with a specification for each member of the title, the role covered within the Board of Directors and the time in office since initial appointment.

The main personal and professional characteristics of the members of the Board of Directors are specified in the documentation filed at the time of appointment in the "Governance/General Meetings" section of the Company website www.italmobiliare.it.

The Company By-laws provide that the Company shall be managed by a Board of Directors consisting of 5 up to 15 members, appointed at Ordinary Shareholders' Meeting, for the period decided at the time of appointment, but in no event for more than three fiscal years and they may be reappointed when their term of office expires.

The Board of Directors currently in office is made up of fourteen members, appointed by the Shareholders' Meeting of 19 April 2017 and its term of office expires upon approval of the financial statements for the year 2019. The average age of the Board members is 52. On the same date, the Shareholders' Meeting appointed Giampiero Pesenti as "Honorary Chairman", with the full support of the Board of Directors, underscoring the fifty years of passionate work he has dedicated to the Company. The Honorary Chairman was not assigned delegations or executive duties.

Thirteen out of fourteen members of the Board of Directors are non-executive and, of these, ten Directors are independent in accordance with the Consolidated law on finance (TUF); seven of them also have the independence qualification set out by the Code. According to the rules on gender balance, a third of the members is reserved for the less represented gender.

In accordance with the By-laws, on 27 July 2017 the Board of Directors co-opted Elsa Fornero as a member of the Board of Directors to replace Livia Pomodoro who resigned from office on 13 June following an additional analysis relating to interlocking directorates.

Of the fourteen members of the Board of Directors in office, Antonio Salerno represents the minority shareholder RWC Asset Management LLP.

In accordance with regulations the curricula of the Board Members are promptly published on the Company's Internet site at the time of appointment.

Diversity policies

The Company has not approved specific policies on diversity as, with the awareness that diversity and inclusion represent the fundamental elements of the corporate culture, the composition of the Board of Directors has evolved over time in accordance with best practices so as to guarantee comprehensive representation in terms of experience, age and gender. On the basis of this broad wealth of skills and ideas, the Board of Directors may rely on the contribution of authoritative points of view capable of examining the various matters under discussion from various perspectives.

Executive Directors

The Company By-laws provide that, unless the Shareholders' Meeting has already done so, the Board of Directors is entitled to appoint the Chairman and possibly one or more Deputy Chairmen and to determine their powers.

The Board of Directors, in accordance with law provisions and the By-laws, can delegate its powers to an Executive Committee, made up of some of its members, and determine their number and powers. The Board of Directors can also delegate its powers to only one of its members, with the title of Chief Executive Officer - CEO - and determine the limits of such empowerment. The Board of Directors or the Executive committee, if it has been appointed, can appoint, also from outside the Board of Directors, a Chief Operating Officer - COO -, and determine his/her term of office and the relevant attributions, powers and remuneration.

On 19 April 2017 the Board of Directors appointed, among its members, in addition to the Chairman, a Deputy Chairman and a Chief Executive Officer - Chief Operating Officer. After the resignation of Livia Pomodoro, there is only one Deputy Chairman in office as of 13 June 2017.

The Chief Executive Officer - Chief Operating Officer is considered an Executive Director and the Board of Directors, upon appointment, granted him duties and powers identifying any quantitative limits.

The Board of Directors also granted the Executive Committee all its powers except for those that pursuant to the Italian Civil Code and the By-laws may not be delegated, to be exercised within the limit of euro 75 million for each transaction. The resolutions of the Executive Committee are reported to the Board of Directors at its next meeting.

The consistency of direction and coordination of activities is ensured by the presence of the Chief Executive Officer - Chief Operating Officer and the Company managers on the Boards of Directors of the main subsidiaries.

Maximum number of offices held in other companies

In accordance with the Code, the Board of Directors meeting of 2 March 2017 defined the following:

- five (in the position of Executive Director) and
- ten (in the position of non-executive Director or independent Director or Statutory Auditor)

as the maximum number of offices that can be held as Director or Statutory Auditor in other companies listed on regulated markets including abroad, in financial, banking, insurance or major companies, considered compatible with the effective performance of the office of Director, also taking into account the participation of Directors in Committees established within the Board of Directors, with the exception of its subsidiaries, parents and companies subject to joint control.

With a resolution at its meeting on 6 March 2018, the Board of Directors reduced to four the maximum number of offices that Directors of the Company can hold in other listed companies, apart from group companies, eliminating the distinction between executive and non-executive roles, and the reference to financial, banking, insurance or large companies.

A list of offices as Director or Statutory Auditor held by Each Director in other companies listed on regulated markets even abroad, in financial, banking, insurance or major companies, at the date of this Report, is set out below:

Laura Zanetti	Coima Res S.p.A.	Director
	Italgas S.p.A.	Statutory Auditor
Livio Strazzera	Serfis S.p.A.	Sole Director
Carlo Pesenti	Clessidra SGR S.p.A.	Chairman
	Tecnica Group S.p.A.	Director
	Teclor S.r.l.	Director
Vittorio Bertazzoni	Erfin S.p.A.	Deputy Chairman and Chief Executive Officer
	SMEG S.p.A.	Deputy Chairman and Chief Executive Officer
Mirja Cartia d'Asero	Casa Damiani S.p.A.	Director
	Prelios S.p.A.	Director
	Mita S.r.l.	Director
	Re Star S.r.l.	Chief Executive Officer
	Devar S.r.l.	Director
	Calliope Finance S.r.l. in liquidation	Liquidator
	MCD S.r.l.	Director
	Devar II S.r.l.	Director
Elsa Fornero	Buzzi Unicem S.p.A.	Director
	Centrale del Latte S.p.A.	Director
Luca Minoli	Cemital S.p.A.	Chairman
	Finanziaria Aureliana S.p.A.	Chairman
	Privital S.p.A.	Chairman
Chiara Palmieri	Snaitech S.p.A.	Director

Clemente Rebecchini	Assicurazioni Generali S.p.A.	Deputy Chairman
Massimo Tononi	Prysmian S.p.A.	Non-Executive Chairman
	Istituto Atesino di Sviluppo S.p.A.	Non-Executive Chairman
	Il Sole 24 Ore S.p.A.	Director
	Mediobanca S.p.A.	Director

Induction programme

The Chairman ensures that the Directors participate in initiatives to provide them with adequate knowledge of the Company's business segment, company trends and their evolution, the principles of proper risk management and the reference regulatory and self-regulatory framework.

In particular, two separate induction sessions were held in 2017:

- a) the first on 27 July 2017 concerning the activities of the Group investees;
- b) and the second on 6 November 2017, with the contribution of PricewaterhouseCoopers S.p.A., which described to the Directors the new International Financial Reporting Standards (IFRS) no. 9 (financial instruments), no. 15 (revenue from contracts with customers) and no. 16 (leases), which will soon be applied.

4.3 ROLE OF THE BOARD OF DIRECTORS

The Chairman, or if he is absent, the Deputy Chairman, coordinates the activities and conducts the meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is disclosed to the Directors and Statutory Auditors properly in advance, when there are no grounds for confidentiality such so as not to permit advance distribution of the material.

The Board of Directors set as at least two days the prior notice period to be observed in order to submit the aforementioned documentation. Such prior notice period was met during 2017.

When the material is particularly complex, specific explanatory notes prepared by the corporate functions are also sent in order to facilitate the adoption of resolutions by the Directors. All documentation is sent by e-mail in files protected by passwords only known to the recipients in order to preserve confidentiality of the data and information provided. Starting from 31 January 2017, the documents and information relating to the Board of Directors meetings will also be managed electronically using the Infocert MeetingBook system with a view to improving security/confidentiality in the exchange and processing of the pre-board meeting disclosure.

Moreover, the Chairman, through the competent company functions, ensures that Directors participate in initiatives aimed at increasing their knowledge of the company's operations and dynamics and are informed on key legislative and regulatory developments having an impact on the Company and its corporate bodies.

The Board of Directors meets at least every quarter to approve the financial statements for the period and the data relating to additional periodic information. At those meetings, the delegated bodies report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-laws, the Board of Directors meets anytime deemed necessary by the Chairman, or the Deputy, or upon request of a member of the Board of Statutory Auditors to the Chairman of the Company.

During 2017, the Board of Directors held eleven meetings. Eleven Directors attended all of the meetings; two Directors participated in nine meetings and one Director participated in ten meetings. One Independent Director (Massimo Tononi) was always present; one Independent Director (Clemente Rebecchini) attended nine meetings out of eleven. Nine meetings of the Board of Directors were attended by all members of the Board of Statutory Auditors, one Statutory Auditor was absent from the remaining two meetings.

All meetings of the Board of Directors were attended, by invitation, by the Manager in Charge. Some meetings were

also attended by managers of the Company and of the subsidiaries to provide additional information. The following attended multiple times: Mr Enrico Benaglio, Head of the Investment Management department and Investor relations, Mr Enrico Felter, Head of Legal and Corporate Affairs, Ms Delia Strazzarino, Head of Internal Audit, Mr Giuliano Palermo, Manager of the Development and Investment Department, Mr Carlo Alberto Bruno, Head of Finance and Treasury, Mr Paolo Petrilli, Head of Human Resources, Mr Matteo Benusiglio, Assistant to the Chief Executive Officer - Chief Operating Officer and Mr Mario Fera, CEO of Clessidra SGR, an asset management company in which the Company has a 100% holding.

The average duration of the meetings of the Board of Directors held during 2017 was three and a half hours.

As required by the Code and as per common practice, the Board of Directors, when examining and approving the financial statements for the period, taking into particular consideration the information received from the delegated bodies, assesses the overall company performance by comparing the results achieved with those planned in the annual budget.

The Board of Directors has met three times so far in 2018, with the first meeting to approve the 2018 budget, assess the impairment test methods used for 2017, update the organizational structure and examine the Audit plan; the second to examine ongoing projects, the third to approve the 2017 draft financial statements. To date, at least another three Board of Directors meetings are scheduled for the current year for the approval of the half-yearly interim report and the periodical additional financial information.

The meetings calendar in which the results for the year or period are examined is disclosed to the market on an annual basis and published on the Company's website in the section Investor / Financial Calendar. The 2018 calendar was published on 5 January 2018.

The Board of Directors is responsible for examining and approving the Company's strategic, industrial and financial plans, as well as periodically monitoring their implementation.

The Board of Directors also has the task of passing resolutions regarding:

- a) transactions with a significant strategic importance and impact on Italmobiliare financial position and results of operations, put in place by the Company itself and by its subsidiaries;
- b) transactions with related parties, as governed by specific company procedure and in compliance with the conditions provided therein.

The Board of Directors is also entrusted, with reference to the Company and the subsidiaries, with *i)* the assessment on the overall operating performance, *ii)* the assessment of the adequacy of the organizational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, which is overseen by the Director in charge, under the powers delegated to him by the Board of Directors itself, *iii)* the definition of the Company's corporate governance system, *iv)* the granting of powers to the executive Directors and *v)* the determination of the remuneration of Directors vested with special powers and key management personnel.

The Directors act and make decisions on an informed basis and independently pursuing the primary objective of creating value for Shareholders. They hold their office dedicating the necessary time for the diligent performance of their duties.

As envisaged by the Code, on 6 March 2018 the Board of Directors assessed the size, composition and functioning of the Board of Directors itself and its Committees, after the appointment made by resolution of the Shareholders' Meeting of 19 April 2017.

To that end, at the end of 2017 the Company distributed a self-assessment questionnaire to all Directors asking about their overall evaluation of the functioning and composition of the Board of Directors and allowing them to make recommendations or comments. The questionnaire consists of a series of affirmations for which each recipient was asked to provide an assessment on the basis of a scale from 1 to 5. The Board of Directors did not rely on the work of external advisors for the self-assessment, in which all independent members of the board of directors participated.

The questionnaire was returned anonymously by 13 Directors out of 14.

No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting or is required by the By-laws. In addition, no Director is a partner with unlimited liability of any competitors or exercises a competing business on its own or on behalf of third parties or is a director or Chief Operating Officer of competitors.

4.4 DELEGATED BODIES: EXECUTIVE COMMITTEE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The granting of powers is based on the principle of segregation of duties.

The delegation of powers does not exclude the competence of the Board of Directors, which in any case holds a superior steering and controlling power over the Company's general activities as to its various components.

Of the five members of the Executive Committee, only one is an Executive Director, i.e., the Chief Executive Officer. Of the remaining four: three are independent pursuant only to the TUF, and of these, one is also independent pursuant to the Code, while the fourth member is not independent pursuant to either the TUF or the Code.

Within the Board of Directors, the allocation of powers is as follows:

- to the **Executive Committee**, consisting of five members, all the powers and the assignments of the Board of Directors, except for those which the law and the By-laws do not allow to be delegated, to be exercised within the limit of euro 75 million for each transaction. As specified when it was appointed, the decisions of the Executive Committee must be reported to the Board of Directors at the first available meeting. During 2017, the Executive Committee met once, with all its members and all the members of the Board of Statutory Auditors in attendance, to review an investment proposal. The Executive Committee has not yet met in 2018;
- to the **Chairman**, Ms Laura Zanetti, duties have been attributed to submit proposals for resolutions of the Board of Directors and/or the Executive Committee; duties to supervise and ensure the compliance with Corporate Governance principles approved by the Company, proposing any amendment to them to be submitted to the Board of Directors for approval; to supervise the regularity of the meetings and actions of the corporate bodies and supervise the actions of the Chief Operating Officer with reference to real estate management transactions. In addition to the representation powers envisaged by the Company By-laws, the Chairman was granted, among others, the powers to act, including before the criminal court, to protect the Company's interests, with the broadest mandate in terms of the capacity to lodge actions in criminal court, including the right to sign and submit charges and lawsuits against those liable for offences to the detriment of the Company and with all ensuing and subsequent powers, including the right to appear as a civil party against those liable, as well as grant special power of attorney with such powers to trusted individuals and appoint attorneys and proxies; to appoint consultants in general, establishing the relative remuneration, compensation and any deposits, suspending, concluding and changing the relationship, with the right to grant special powers of attorney with such powers to other people; to grant special and general powers of attorney, also granting the corporate signature, individual or joint, and with the powers and attributions that will be considered necessary for the best performance of the company; to negotiate and conclude any transaction or contract for real estate purchase or sale, exchange and property division, for the establishment of easements or property rights in general, permitting and requesting mortgage registrations, cancellations and entries, waiving legal mortgages and releasing the real estate registrar from all liability and with the right to appoint to replace her, for each transaction or contract, one or more special attorneys with all required powers, with the limit of euro 20 million with joint signature with the Chief Operating Officer;
- to the **Chief Executive Officer - Chief Operating Officer**, Mr Carlo Pesenti, among others, the tasks of submitting proposals for resolutions of the Board of Directors and/or the Executive Committee; of supervising the execution and implementation of investment plans as defined by the Board of Directors and/or the Executive Committee; of supervising the management policies and business development strategies of Italmobiliare and the main directly and indirectly controlled companies; supervising and directing the activities of Italmobiliare and its main subsidiaries; establishing guidelines for the management of the main companies in which Italmobiliare holds, directly or indirectly, an interest that allows it to exercise significant influence; taking care of the organization and

proposing to the Board of Directors the main organizational changes. At the same time he was granted, among others, aside from the representation powers laid out in the Company By-laws, the powers to perform all administrative and disposal acts on the management of the Company among which securities and credit transactions, to undertake on behalf of the Company bonds of any kind, also secured by collateral, accept guarantees, loan collateral and guarantees in favour of third parties as long as these are direct or indirect subsidiaries of Italmobiliare, acquire and dispose of government securities, bonds, land, stocks, company shareholdings, performing sale or purchase carry-over and forward transactions on securities within a maximum amount of euro 20 million, for each transaction. The Chief Executive Officer - Chief Operating Officer may be qualified as the main party responsible for company management.

The Chief Executive Officer - Chief Operating Officer is not a Director in another listed company not belonging to the Group for which a Company Director is a chief executive officer.

Other powers for current management activities were granted to managers of the Company, to the extent of their respective duties.

The Chairman, the Chief Executive Officer - Chief Operating Officer have periodically reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and by the Company By-laws, about activities undertaken within their assignments and powers. The most important transactions undertaken by the Company or by the subsidiaries with an impact on its financial statements, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been always submitted to the Board of Directors, even when within the limits of their powers.

4.5 OTHER EXECUTIVE DIRECTORS

Apart from the Chief Executive Officer - Chief Operating Officer, no other Directors are considered to be "executive" within the scope of the definition in Application Criterion 2.C.1 of the Code.

4.6. INDEPENDENT DIRECTORS

In accordance with the regulations in force, at least one of the members of the Board of Directors, or two in case it is composed of more than seven members, must meet the independence requirements established by law for members of the Board of Statutory Auditors.

The Code also requires that the number and qualifications of independent Directors be adequate in relation to the size of the Board of Directors and the Company's activities and such as to allow the establishment of committees within the Board of Directors; also under the Code, there must be at least two independent Directors.

In compliance with the provisions and recommendations mentioned above, each individual concerned, upon submission of the lists of candidates for the office of Director, must declare that he/she meets the requirements for independence under the TUF and pursuant to the Code. The Directors which, in the lists for appointment, specified their suitability for qualification as independent, have committed to promptly notifying the Board of Directors of all subsequent changes in the statements provided upon appointment. The Board of Directors, at its first meeting after the appointment of its members, verified, on the basis of information provided by each person or information available to the Company, that Directors who have declared to be independent actually meet the independence requirements.

Moreover, at the time of preparing the annual Report on Corporate Governance, the Company reiterates its request to all Directors in office to declare the existence or not of such requirements. Their responses are submitted to the Board of Directors for the consequent independency evaluation on an annual basis.

The results of the Director independence verifications are disclosed to the market on occasion of appointment and shown annually in this Report on the page regarding corporate bodies and in Table 2 attached to the Report.

In case the independence requirements prescribed by law are no longer met, the Director concerned must give prompt communication thereof to the Board of Directors. This circumstance entails the removal from office of such Director, except in cases where such requirements are still met by at least the minimum number of Directors required by current

legislation.

The current Board of Directors consists of ten Directors meeting the requirements of independence provided by law, seven of whom are also considered independent on the basis of the criteria set out in the Code.

For the year 2017, the Board of Directors evaluated the fulfilment of the independence requirements by each of the non-executive Directors in compliance with the criteria laid out above. Criteria in addition to those laid out in the Code have not been applied. Furthermore, the Board of Statutory Auditors verified the correct application of the criteria and verification procedures adopted by the Board of Directors to assess the independence of its members.

During 2017, all the independent Directors met once in the absence of the other Directors.

4.7 LEAD INDEPENDENT DIRECTOR

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board of Directors should appoint an independent Director as “Lead independent director”, to provide a reference for and coordinate requests and contributions of non-executive Directors and, in particular, independent Directors.

Since neither of these two conditions applied, the Board of Directors resolved to not appoint a Lead Independent Director for the 2017-2019 term of office, in its meeting on 19 April 2017.

5.0 PROCESSING CORPORATE INFORMATION

On 29 November 2016, the Board of Directors of the Company, as a result of the entry into effect of the MAR and the related implementing provisions, approved a procedure (most recently updated on 2 March 2017) relating to the management of “confidential” information and “inside” information.

The procedure can be accessed at the address www.italmobiliare.it in the section “Governance/Documentation”.

The rules of conduct and principles to be observed in the procedure are aimed at:

- a) ensuring maximum confidentiality of the Inside Information or information that could become inside information (Confidential Information), taking account of the interest in the confidentiality of the information as it is being formed, and the obligation to make non-selective disclosures, also in compliance with inside information regulations;
- b) protecting the investors and market integrity, preventing any situations of information asymmetry, and preventing any parties from being able to use non-public information to operate on the markets;
- c) protecting the Company from any liability that may be incurred following any unlawful behaviour involving market abuse carried out by related parties, or more generally, following behaviour that breaches the principles of confidentiality.

This procedure is an essential component of the Internal Control and Risk Management System of the Company, and the overall system in place to prevent offences pursuant to Legislative Decree no. 231 of 8 June 2001, and more specifically, the Organizational model adopted by the Company for that purpose.

The rules of procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

Moreover, since 2006, the Company, as required by Consob has established and regularly updated a register of persons who, by virtue of their job or professional duties or by virtue of the functions performed, have access to inside information and has prepared the implementation procedure related thereto.

With the entry into effect of the new “Market Abuse Regulation”, a new procedure was set up to list the parties who have access to inside information (insider list procedure) which is closely connected to internal policies relating to the

management and communication to the public of inside information and communication of the transactions carried out by key Company parties relating to shares (or related financial instruments) issued by the Company.

The procedure was adopted in accordance with current legislation to meet the obligations of Italmobiliare to draw up a list (List) of persons who, due to their working or professional activities, or the jobs carried out, have access to inside information pursuant to Article 7 of Regulation no. 596 of 16 April 2014 of the European Parliament and of the Council (Regulation no. 596/2014).

The Organizational, Management and Control Model adopted by the Company in accordance with Legislative Decree no. 231/2001 provides, inter alia, that it should be established as an instrument to prevent the offences provided for under market abuse regulations.

The Procedure shall apply each time a party manages or has access, even on an occasional basis, to inside information.

In accordance with current legislation, inside information refers to information that:

- a) is precise;
- b) has not yet been made public;
- c) concerns, directly or indirectly, Italmobiliare or its financial instruments;
- d) could, if made public, have a significant effect on the price of the listed financial instruments issued by Italmobiliare or its related derivative instrument prices.

Information is considered to be valuable if it refers to a series of existing circumstances or which could be reasonably expected to be created, or an event that occurred or that could be reasonably be expected to occur and if that information is sufficiently specific to allow conclusions to be drawn on the possible effect of said set of circumstances or said event on the prices of the financial instruments or the related derivative financial instrument, of the related spot contracts on commodities.

For information that, if communicated to the public, could probably have a significant effect on the prices of the financial instruments or the financial derivatives or the related spot contracts on commodities, we mean information that an investor could reasonably probably use as one of the elements on which to base his/her investment decisions. The information will cease to be considered inside information when it has been disclosed to the public pursuant to current legislation and regulations, in accordance with the principle of parity of information.

The Company will establish and maintain the List in accordance with management procedures that ensure easy consultation and extraction of the data contained, accuracy and inability to change the data, traceability of the accesses to permit subsequent checks and obtain previous versions, also adopting adequate security, completeness and confidentiality procedures for the data, and the management of so-called "delays".

The List will be kept on a computer and can only be accessed by the Party in Charge, or the parties who are expressly authorized by the Party in Charge, who belong to the Legal and Corporate Affairs Department.

The List will be structured to contain at least the following information:

- a) date and time of creation of the List section, or identification of the inside information;
- b) description of the specific inside information;
- c) date and time of most recent update;
- d) date sent to the applicable Authorities;
- e) identification details of the listed party;
- f) if it is a natural person, name, surname (maiden name if different), tax code (or other national identification number if it is a foreign party), place and date of birth, complete private address (road and number of house, location, area

code and country), work telephone number (direct land line number and mobile phone number), private telephone numbers (house and personal mobile phone number), email address;

- g) if it is a company or other legal person, entity or professional association: name, complete address of the registered office, tax code or VAT Reg. no., indication of the reference natural person who can identify and inform the persons who have access to the inside information in the legal person, entity, or association (for that reference person, all the data required under “natural person” mentioned above will also be required);
- h) position in the company or organizational responsibility of the person listed or office where the person works in the Company;
- i) reason for listing;
- j) date and time at which the person on the List had access to the inside information;
- k) date and time at which that person ceased to have access to the inside information.

The List is updated by entering the information and data sent to the Party in Charge in accordance with this Procedure or known directly by this person.

If the Company has decided to delay communication of the inside information to the public, the Party in Charge will manage the “delay” in accordance with procedures.

6.0 INTERNAL BOARD COMMITTEES

In order to ensure the effective performance of its functions, the Board of Directors has set up an internal Remuneration Committee and a Risk and Sustainability Committee whose resolutions have a consultative and advisory nature and do not bind the Board of Directors.

Moreover, pursuant to the rules applicable to transactions with related parties, the Board of Directors established an internal Committee for Transactions with Related Parties, composed of independent Directors only.

The Composition and functioning of the Remuneration Committee are described in paragraph 8.0 below.

The Composition and functioning of the Risk and Sustainability Committee are described in paragraph 10.0 below.

The Committee for Transactions with Related Parties is composed of three members, all non-executive and independent, and it is chaired by Valentina Casella (Paolo Sfamini until the end of the previous 2016-2017 term of office, coinciding with the Shareholders’ Meeting which approved the financial statements for the year ending on 31 December 2016, held on 19 April 2017).

During the year, the Committee met three times, to approve the appointment of the Chairman and the Secretary for the 2017-2019 three-year period, to examine the intra-group contracts in place and with respect to an induction of Elsa Fornero.

In carrying out their functions, the Committees are entitled to access corporate information and functions necessary for the performance of their duties, and may use external consultants at the expense of the Company.

Each Committee appoints a Secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings. For all Committees mentioned above, the Legal and Corporate Affairs Director performs the functions of Secretary.

There are no committees in addition to the Executive Committee and the Committees required by the Code, without prejudice to what is specified below with reference to the functions of the Risk and Sustainability Committee.

7.0 APPOINTMENT COMMITTEE

Considering the stable presence of a relative majority Shareholder which is able to significantly influence the Shareholders' meetings, the Company decided not to proceed, as it had in the past, with the establishment of an "Appointment Committee" as it has always taken its decisions in full autonomy proposing people with the appropriate characteristics of competence, prestige, expertise and availability, as provided for by the Code, for the list of candidates to the Board of Directors.

However, as specified in paragraph 3.0 above, on 6 March 2018 the Board of Directors resolved, *inter alia*, to attribute the appointment functions specified in the Code to the already formed Remuneration Committee, renaming it the Remuneration and Nomination Committee, in accordance with the Code of Conduct.

8.0 REMUNERATION COMMITTEE

The Company's Board of Directors has established a Remuneration Committee from within its ranks, the meetings of which are duly recorded in minutes and the work of which is coordinated by a Chairman, who reports on it at the next possible Board of Directors meeting.

During the year the Remuneration Committee met six times, five times with all its members present; the average duration of its meetings was approximately one hour. All members of the Board of Statutory Auditors attended four meetings, and two Statutory Auditors attended the others. The Company Chairman, the Head of Human Resources and, at the invitation of the Committee and limited to individual agenda items, the independent advisory firm SpencerStuart, are also regularly invited to participate in the Remuneration Committee meetings.

A number of meetings has not been planned for the year 2018, during which the Remuneration Committee has so far met once to evaluate the adequacy, overall consistency and concrete application of the general policy adopted for the remuneration of executive Directors, Directors who hold particular offices and key management personnel; as well as to examine the proposals and give its opinion to the Board of Directors regarding the staff bonus policies, to evaluate the achievement of performance targets for the 2017 MBO and the LTI 2017-19 annual component; to examine the proposals and give its opinion to the Board of Directors regarding the 2018 MBO and lastly to examine the Remuneration Report.

The Committee currently in office is made up of three non-executive, independent members. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them.

Directors must abstain from taking part in the Remuneration Committee meetings during which proposals to the Board of Directors regarding their own remuneration are defined.

In performing its functions, the Remuneration Committee had regular access to the corporate information and functions necessary to carry out its duties.

The Remuneration Committee, under the Code, is responsible for (i) periodically assessing the adequacy, overall consistency and actual implementation of the policy for the remuneration of Directors and key management personnel, submitting proposals to the Board of Directors, and (ii) submitting proposals or expressing opinions to the Board of Directors on the remuneration of executive Directors and of Directors who hold particular offices and the key management personnel, as well as on the setting of performance targets related to the variable portion of such remuneration. The Remuneration Committee is also required to periodically evaluate the adequacy, overall consistency and concrete application of the general policy adopted for the remuneration of the executive Directors, Directors who hold particular offices and key management personnel, monitoring the application of the decisions adopted by the Board of Directors and verifying, in particular, the actual achievement of performance targets.

The Remuneration Committee, in the absence of the concerned parties, examined, and subsequently approved, the remuneration policy for executive Directors and/or directors vested with special powers and key management personnel and submitted proposals to the Board of Directors on the remuneration of Directors and managers.

In 2017, the Remuneration Committee relied on the services of consultants.

For detailed information on the activities of the Remuneration Committee, on access by the Remuneration Committee to the corporate information and functions required to perform its duties and/or to the activity of consultants, please see the Remuneration Report drawn up pursuant to Art. 123-ter of TUF and approved by the Board of Directors on 6 March 2018.

9.0 REMUNERATION FOR DIRECTORS

General remuneration policies

The Board of Directors established a remuneration policy for Directors and key management personnel at the Board of Directors meeting on 2 March 2017. The policy was submitted to the Shareholders' Meeting for a consultative vote on 19 April 2017 and, for the year 2017, on 18 April 2018.

The policy for the remuneration of executive Directors or Directors who hold particular offices defines guidelines with reference to the topics and in line with the criteria laid out below:

- a) the fixed and variable component are adequately balanced on the basis of the strategic objectives and the risk management policy of the Company, also taking into account the business segment in which it operates and the characteristics of the business activities actually carried out;
- b) there are maximum limits set for the variable components;
- c) the fixed component is sufficient to remunerate the services of the Director if the variable component is not disbursed due to failure to reach the performance targets laid out by the Board of Directors;
- d) the performance targets - i.e., the financial results and any other specific objectives linked to the disbursement of the variable components - are pre-established, measurable and linked to the generation of value for Shareholders over a medium-long term time horizon;
- e) the payment of a relevant portion of the variable remuneration component is deferred for an adequate period of time after the moment of accrual; the measurement of such portion and the deferment period duration are consistent with the characteristics of the business activities carried out and with the related risk profiles.

There are no contractual arrangements allowing the Company to request the return, all or in part, of the variable remuneration components paid or to withhold deferred sums ("claw-back") and no compensation is provided for early termination of the office of director or for its non-renewal.

For detailed information please see the Remuneration Report drawn up pursuant to Art. 123-ter of TUF and approved by the Board of Directors on 6 March 2018, as well as the Information Document required under Article 84-bis of the Issuers' Regulation, both published on the Company website www.italmobiliare.it, in the *Governance* section.

Share-based remuneration plans

There are no share-based remuneration plans. Please refer to the information provided in point 2, letter a).

Executive Directors' remuneration

A significant part of the remuneration of the Chief Executive Officer - Chief Operating Officer is variable and linked to financial performance and the achievement of specific targets set beforehand and determined in accordance with the Remuneration Policy adopted by the Company.

Remuneration for Key management personnel

A significant part of the remuneration of key management personnel is variable and linked to financial performance and the achievement of specific targets set beforehand and determined in accordance with the Remuneration Policy adopted by the Company.

Incentive mechanisms for the head of internal audit and the Manager in Charge

The incentive mechanisms for the head of Internal Audit and the Manager in Charge are consistent with the duties assigned to them.

Non-Executive Directors' remuneration

The remuneration of non-executive Directors is not linked to a significant extent to the financial performance of the Company.

Directors' compensation in the case of resignation, dismissal or termination of office following a public takeover bid

Please see the Remuneration Report drawn up pursuant to Art. 123-ter of TUF and approved by the Board of Directors on 6 March 2018 published on the Company website www.italmobiliare.it, in the Governance section.

10.0 RISK AND SUSTAINABILITY COMMITTEE

The Board of Directors has established a Control and Risk Committee named the Risk and Sustainability Committee (name taken on by Board of Directors resolution of 6 November 2017, previously the "Risk Committee").

The minutes of the meetings are duly recorded and the Chairman reports on them at the next possible meeting of the Board of Directors. Managers of the Company responsible for the matters on the agenda are regularly invited to the meetings of the Risk and Sustainability Committee to provide the appropriate in-depth information; first and foremost, the Manager in Charge and the Head of Internal Audit.

A total of 10 meetings were held in 2017, with an average duration of two and a half hours, always with the participation of all members. At the invitation of the Committee, the Board of Statutory Auditors attended nine meetings out of ten.

During fiscal year 2017, the Committee, among other things:

- a) examined and approved the methodology used by the Company for the preparation of the non-financial report pursuant to Legislative Decree 254/2016 and the impairment tests;
- b) acknowledged the correct implementation of the accounting policies and their consistency for the purposes of preparing the consolidated financial statements;
- c) reviewed and approved the 2017 Audit Plan upon verification of its results;
- d) analysed how risk management is handled at Group level, particularly with reference to Information Technology risks;
- e) reviewed and approved the methodology used by the Company to adapt to the new regulations laid out in the General Data Protection Regulation;
- f) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control and Risk Management System;
- g) met with its counterpart committees within the main subsidiaries;
- h) monitored that there were adequate safeguards for the management of sustainability issues linked to the company's business activities, also in relation to the first application of the NFI law.
- i) for the benefit of the Board of Directors, expressed a preventive and binding opinion for the fulfilment of the duties assigned to it by the Code on internal control and risk management and in particular with respect to the appointment, removal and remuneration of and the resources provided to the Head of Internal Audit;
- j) with adequate preliminary activities, supported the assessments and decisions of the Board of Directors relating to the management of risks deriving from harmful events the Board of Directors has become aware of.

The number of meetings for the year 2018 was not planned. In the current year, the Committee has so far met three times to discuss, among other things, (i) the impairment test methods for 2017, (ii) the accounting policies adopted for the preparation of the 2017 consolidated financial statements, (iii) the draft version of the 2017 consolidated non-financial statement, (iv) proposed amendments to the Internal Control and Risk Management System Guidelines, (v) the update of the organizational structure and attribution of powers and (vi) the Audit Plan for 2018. On 1 March, the Committee examined the part of this Report regarding the description of the Internal Control and Risk Management System, and approved of its content.

The Risk and Sustainability Committee consists of three Directors (Mirja Cartia d'Asero, Valentina Casella and Giorgio Bonomi), two of whom independent (Mirja Cartia d'Asero and Valentina Casella). It is chaired by Mirja Cartia d'Asero (Carolyn Dittmeier until the end of the previous 2016-2017 term of office, coinciding with the Shareholders' Meeting which approved the financial statements for the year ending on 31 December 2016, held on 19 April 2017). As required by the Code with reference to at least one member, the requirement of having adequate expertise in accounting and finance has been met.

Upon invitation by the Committee, the Manager in Charge and the Head of Internal Audit attended all the meetings. The Board of Statutory Auditors participated in full in four meetings, and two Statutory Auditors attended five meetings; one meeting took place without the attendance of any Statutory Auditors.

In compliance with the provisions of the Code, the Risk and Sustainability Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as (in light of the new attributions as per the Board of Directors resolution of 6 November 2017) those regarding the approval of annual and interim financial reports and the non-financial report.

Since the Risk and Sustainability Committee is a body that supports and assists the Board of Directors, its functions are advisory and proactive, and more specifically it:

- a) evaluates, together with the Manager in Charge and after consulting with the external auditors and the Board of Statutory Auditors, the correct application of the accounting standards, as well as their consistency for the purpose of preparing the consolidated financial statements;
- b) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks upon request;
- c) reviews the periodic reports concerning the assessment of the Internal Control and Risk Management System, as well as the other reports of the Internal Audit Function that are particularly significant;
- d) the independence, adequacy, efficiency and effectiveness of the Internal Audit Function;
- e) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors;
- f) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and interim financial report, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
- g) promptly exchanges information with the Board of Statutory Auditors relevant to the performance of their respective tasks;
- h) monitors that there are adequate safeguards for the management of sustainability issues linked to the company's business activities, also for the purpose of formulating the non-financial statement, as well as on the dynamics of interaction with the stakeholders, which means all the intended recipients of the non-financial statement.

In performing its functions, the Committee had regular access to the corporate information and functions necessary to carry out its duties.

11.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System (“**SCIGR**”) of Italmobiliare is an essential part of the corporate governance system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks which the Company and its subsidiaries are subject to.

The Company defined the Guidelines for the Internal Control and Risk Management System with the favourable opinion of the Risk and Sustainability Committee, in compliance with the recommendations of the Code (the “**Guidelines**”). The Guidelines, taking into account the peculiar structure of the Group, which includes companies - which may include entities subject to the supervision of national supervisory authorities - with internal control systems and structures in turn responsible for overseeing the SCIGR of their respective sub-groups (so-called “Group of groups”), seek to ensure consistency and harmonization between various existing control tools, establishing, therefore, the roles and functions involved in the identification, measurement, management and monitoring of the main risks of the Company and its subsidiaries. The SCIGR Guidelines have been transmitted to the subsidiaries so that they will take them into account in the establishment and maintenance of its Internal Control and Risk Management System notwithstanding the autonomy and independence of each company.

The SCIGR shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions.

It contributes to ensuring the preservation of the Company’s assets, the efficiency and effectiveness of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, compliance with laws and regulations as well as with the By-laws and internal procedures.

The System, in line with the best national and international standards and paying constant attention to the provisions set forth in the Organizational, Management and Control Model, consists of the following three levels of control:

- a) *1st level*: first line controls carried out by the heads of operating units that identify and assess the risks and define specific actions for their management;
- b) *2nd level*: functions in charge of the definition of methodologies and tools for risk management and performance of risk monitoring activities;
- c) *3rd level*: the Internal Audit Function, as well as any other parties that provide objective and independent assessments (so-called assurance) on the design and operation of the overall System.

The Guidelines for the Internal Control and Risk Management System provide for the involvement of the following corporate bodies and functions:

- a) Board of Directors, with the following tasks:
 - examining and approving the Strategic Plan, monitoring periodically the related implementation;
 - defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company’s strategic objectives, as determined by the same Board of Directors at the time of approval, amendment or revision of the Strategic Plan;
 - evaluating the adequacy of the organizational, administrative and accounting structure of the Company as well as of its strategically significant subsidiaries in particular with regard to the Internal Control and Risk Management System;
 - examining and approving the financial statements for the period;

b) Board of Directors, after obtaining the opinion of the Risk and Sustainability Committee:

- defining, in line with the Company's risk profile, the guidelines of the Internal Control and Risk Management System, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;
- assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
 - duties and responsibilities are allocated in a clear and appropriate manner;
 - control functions, including the Head of Internal Audit, the Manager in Charge and the supervisory body (the "**Supervisory Body**") have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.
- approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the Director in charge and the Board of Statutory Auditors;

c) Board of Directors, upon proposal of the Director in charge, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with adequate resources to carry out their responsibilities and defining their remuneration in line with corporate policies;

The Board of Directors, with the assistance of the Risk and Sustainability Committee, sets the criteria to ensure the compatibility of the Group risks with correct and proper management of the Company and assesses, at least on a half-yearly basis, the adequacy, effectiveness and functioning of the internal control system with respect to the characteristics of the Company.

With reference to the subsidiaries that have their own and autonomous internal control functions performing tasks similar to the duties assigned to the Control and Risk Committee by the Code, the Risk and Sustainability Committee of Italmobiliare reviews and assesses the reports received from the subsidiaries' relevant functions.

The Board of Directors monitors and examines the risks which the Company and the Group as a whole are subject to, and that, given the business activities, are essentially financial.

During the year, in defining strategic, industrial and financial plans, the Board of Directors defined the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all risks that may assume relevance in terms of the medium/long-term sustainability of the Company's activities.

At least annually, the Board of Directors approved the plan drafted by the Head of Internal Audit, having heard the opinion of the Board of Statutory Auditors and the Director in charge.

The Board of Directors also evaluated the adequacy of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as its effectiveness.

The Company has completed the implementation of a risk management model, inspired by existing best practices for the identification, evaluation and management of company risks, identifying three main areas: trading portfolio, investments and processes / organizational areas of the holding Company.

This process is operating in the main subsidiaries.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (“Director in charge”)

The Board of Directors identified the Chief Executive Officer – Chief Operating Officer as the Director in Charge at its meeting on 19 April 2017. This position is currently held by Mr Carlo Pesenti.

He has the task of:

- a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them periodically to the review of the Board of Directors;
- b) implementing the Guidelines, taking care of the planning, implementation and management of the Internal Control and Risk Management System and constantly monitoring its adequacy and effectiveness;
- c) proposing to the Board of Directors, after obtaining the opinion of the Risk and Sustainability Committee and consulting with the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit, ensuring his or her operating independence and autonomy from each head of operating departments, verifying that this individual is provided with adequate resources for the fulfilment of the tasks assigned;
- d) adjusting the Internal Control and Risk Management System to the dynamics of operating conditions and the legislative and regulatory framework;
- e) promptly reporting to the Risk and Sustainability Committee (or to the Board of Directors) issues and problems identified during his/her activity or of which he/she became aware in order for the Committee (or the Board of Directors) to take the appropriate actions.

The Director in charge can also ask the Internal Audit Function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors.

In 2017, the Director in charge carried out the tasks described above by relying on the powers granted to him.

Under the powers granted to him, the Director in charge promoted the development of a Risk Management Model for the identification, assessment and management of the company risks based on various levels.

Moreover, the Director in charge is responsible for issuing, together with the Manager in charge, statements on the adequacy and effective implementation of administrative and accounting procedures, the compliance of documents with applicable international financial reporting standards, compliance of documents with book entries and accounting records, the suitability of documents to give a true and fair representation of the financial position and results of operations of the Company and of the Group, etc.

11.2 HEAD OF THE INTERNAL AUDIT FUNCTION

The Board of Directors, at its meeting held on 19 April 2017, after obtaining the favourable opinion of the Director in charge and consulting with the Board of Statutory Auditors, confirmed Ms Delia Strazzarino as Head of Internal Audit.

With the favourable opinion of the Director in charge and after consulting with the Board of Statutory Auditors, the Board of Directors defined the remuneration of the Head of Internal Audit in line with company policies and ensured that she is provided with adequate resources to fulfil her responsibilities.

The Head of Internal Audit is entrusted with the task of verifying the functioning and adequacy of the Internal Control and Risk Management System, providing an objective assessment of its suitability to corporate bodies and top management. She has direct access to all relevant information for the performance of her duties, is not responsible for any operational area and is under the Board of Directors hierarchically.

The Head of Internal Audit reports on the Company’s risk management process as well as about the compliance with the management plans defined for risk mitigation, and expresses her assessment to the Board of Directors, Risk and

Sustainability Committee, the Director in charge and the Board of Statutory Auditors on the adequacy of the Internal Control and Risk Management System. The Head of Internal Audit annually illustrates to the Board of Directors within the audit plan the Internal Audit structure which has been considered appropriate, both in terms of headcount and professional skills, to fulfil the tasks entrusted to it. She prepares periodic reports containing adequate information on her activities, on the Company's risk management process as well as about the compliance with the management plans defined for risk mitigation, as well as an assessment on the adequacy of the Internal Control and Risk Management System and any reports on particularly significant events and transmits them to the Chairman of the Board of Statutory Auditors, the Risk and Sustainability Committee and the Board of Directors as well as the Director in charge.

She also verifies the reliability of the information systems, including the accounting reporting systems.

Within its "Assurance and Quality Improvement Program", the Internal Audit Function is subject, at least every five years, to a Quality Assurance Review by an independent external entity. The Function is planning on a new audit in 2018, after the first review had an outcome of generally compliant with relevant international standards.

The Board of Directors, after obtaining the opinion of the Risk and Sustainability Committee and having consulted with the Director in charge and the Board of Statutory Auditors, approved:

- a) the Internal Audit Authorization at the meeting on 14 November 2013. This authorization, most recently modified by a resolution dated 2 March 2017, officially defines the mission, objectives, organizational context and responsibilities of the Function, in accordance with the definition of Internal Auditing, with the Code of Ethics and with the International Standards set by the International Professional Practices Framework of the Institute of Internal Auditors;
- b) the 2018 Audit Plan prepared by the Head of Internal Audit at the meeting of 24 January 2018.

The Internal Audit Function performs its activities directly with reference to Italmobiliare Group, except for the subsidiaries that have an independent Internal Audit Function.

At Group level, the Head of Internal Audit coordinates / connects with its counterpart functions at the subsidiaries in order to promote uniformity of approach in verifying the functioning and adequacy of the SCIGR, taking into account the autonomy, independence and responsibility of those subsidiaries and their corporate bodies.

In 2017, the Head of Internal Audit carried out the tasks described above by relying on the powers granted to her.

11.3 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01

In order to make the control and Corporate Governance systems more effective and prevent corporate offenses and offenses against the Public Administration, during 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an «Organizational, management and control model» (the «Model»). This was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by Directors.

The General Part of the Model is available on the Company's website www.italmobiliare.it in the section Governance/Documentation.

By adopting the Model, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the Model itself. Even the subsidiaries with key importance adopted an organizational, management and control model pursuant to Legislative Decree 231/01.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree no. 231/01 to include further categories of offenses with respect to those included in its original version.

All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk

assessments performed by consultants specialized in the matters taken into consideration on each occasion. In particular, in 2008, the Model was extended to offenses relating to the violation of the legislation on health and safety in the workplace (section later revised in 2010), on cross-border offenses and offenses for receiving stolen goods and money laundering. In March 2011 several amendments were approved to better design the information flow system among the various compliance corporate bodies of the Group both in the phase of adoption and amendment of the Models of the subsidiaries and in the phase of communicating any violation of the Model. In October 2012, the Model was extended to offenses related to organized crime, copyright and computer crime and, finally, during 2014, the Model was updated in order to incorporate the new provisions on the prevention and combating of corruption in public administration, corruption between individuals and the use of third-country nationals.

The task of continuously monitoring the effectiveness and enforcement of the Model, as well as proposing updates, is entrusted to the Supervisory Body, equipped with autonomy, professionalism and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or their legal aspects.

The Supervisory Body is, in compliance with the provisions of the Model, currently made up of two third-party advisors and the Company's Head of Internal Audit.

As part of its duties, the Supervisory Body periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree no. 231/01, the Board of Statutory Auditors, the Risk and Sustainability Committee, the Manager in charge and the representatives of the Independent Auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

This body is autonomous and independent in the exercise of its functions, and its members have adequate qualifications in the field of risk control associated with the specific activities carried out by the Company and its legal aspects. It reports directly to the Board of Directors, which appoints it with a motivated resolution with respect to each member, chosen solely on the basis of qualifications, integrity, competence, independence and functional autonomy requirements.

The Supervisory Body is granted autonomous initiative and control powers within the Company in order to efficiently exercise its functions.

The Supervisory Body periodically, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Risk and Sustainability Committee and the Manager in charge. Such reports may contain proposals for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

- a) any problems arising with regard to implementation of the procedures set forth in the Model, adopted in implementation of or in the light of the Model and the Code of Ethics of the Company;
- b) the warning reports received from internal and external parties with regard to the Model;
- c) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;
- (iv) an overall assessment of the effectiveness of the Model with possible instructions for additions, corrections or changes.

Various company Functions must, to the extent of their competence, ensure the identification, measurement, management and supervision of the main risks related to Group operations. They shall ensure the proper performance of company transactions and, in particular, the correct representation of the information provided, as well as the efficient and effective implementation of administrative and accounting procedures in the areas under their responsibility.

Lastly, in this context, the Board of Statutory Auditors, as part of the tasks assigned to it under applicable laws, among other things, oversees the financial reporting process and effectiveness of the internal control, internal audit and risk management systems.

The sharing and integration of information generated in the various areas is ensured by a structured information flow. In this regard, the half-yearly report of the Manager in charge is, for example, significant as it reports, among other things, on the results of the performed activities, the problems that emerged, the identified action plans and their progress. The same Manager in charge, together with the Chief Executive Officer - Chief Operating Officer, also supplied the certificate referred to in paragraph 5 of Art. 154-bis of TUF.

The risk management and internal control system in relation to the financial reporting process consists of a set of corporate rules and procedures, adopted by the various operating structures, aimed at ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

Italmobiliare has defined its own operating Model to comply with the Law on savings (hereinafter, in short, "Operating Model"), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document "Internal Control over Financial Reporting - Guidance for Smaller Public Companies", also developed by CoSO.

In this operating Model, the Internal Control and Risk Management System is considered together with the internal control system in relation to the financial reporting process.

The Operating Model defined by Italmobiliare is based on the following main elements:

- a) **Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for the actions related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant entities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;
- b) **Operational planning.** Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;
- c) **Analysis of controls at company level.** Single entities, within the area of action identified in the preliminary analysis, are responsible for i) assessing the effectiveness of the Internal Control and Risk Management System in relation to the governance principles used at entity level (Entity Level Controls), as well as for ii) the overall management of the information systems used in the main financial reporting processes and the related IT structure (Information Technology General Controls). This must be carried out in accordance with the deadlines established during the operational planning and on the basis of the guidelines, instructions and templates provided by the Manager in charge;
- d) **Analysis of controls at process level.** The individual companies, within the area of action identified in the preliminary analysis, are responsible for the related activities: i) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, ii) performing tests to check the effective operation of controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Manager in charge;
- e) **Assessment of the adequacy and effective operation of the administrative and accounting procedures and the related controls:** In order to guarantee compliance with the key requirements for financial reporting ("financial statement assertions"), the Manager in charge, on the basis of the results of the carried out activities and the obtained documentation, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, the Internal Control System for these areas.

The Internal Control and Risk Management System, with reference to the financial reporting process has also benefited from:

- a) the ongoing development of an integrated Corporate Governance system (Organization notices, corporate processes and procedures);
- b) a more detailed organization and planning in relation to the provisions of Law No. 262 of 28 December 2005, containing "Provisions for the protection of savings and the regulation of financial markets" and the subsequent corrective decrees (hereinafter, in short, the "Law on Savings"), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

The Board of Directors, based on the evaluations and information collected with the support of the preliminary activity performed by the Risk and Sustainability Committee, with the assistance of the Director in charge, the Head of Internal Audit and the Manager in charge, notes that issues have not been reported which would invalidate the overall adequacy and effectiveness of the Internal Control System and Risk Management System with respect to the structure of the Company and the Group and the characteristics of the business.

The Internal Control and Risk Management System is, in any case, subject to continuous improvement through monitoring and systematic design of improvement initiatives, consistent with international models of reference.

11.4 INDEPENDENT AUDITORS

The auditing of the company's accounts, as required by the current applicable laws, was entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors.

The task of auditing the separate financial statements of Italmobiliare, the consolidated financial statements of the Group and performing a review of the consolidated half-yearly financial statements of the Group for the years 2010-2018 was assigned to KPMG S.p.A. at the Shareholders' Meeting held on 29 April 2010. The engagement is set to expire on 31 December 2018. The Board of Directors supplemented the engagement assigned to KPMG S.p.A. following the entry into force of Legislative Decree 254/2016.

11.5 THE MANAGER IN CHARGE OF FINANCIAL REPORTING (DIRIGENTE PREPOSTO) AND OTHER COMPANY ROLES AND DUTIES

To replace Mr Guido Biancali, at its meeting held on 21 June 2017 the Board of Directors appointed Mr Mauro Torri as the Manager in charge of financial reporting pursuant to Art. 154-bis of TUF and Art. 29 of the By-laws as of 1 July 2017.

Pursuant to the By-laws, the Manager in charge must:

- a) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;
- b) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

The Manager in charge of Italmobiliare acknowledges and evaluates the reports on the activities performed by the internal control and risk management corporate bodies of the Group subsidiaries, that are considered relevant.

The Board of Directors, upon appointment, provided such Manager with autonomous financial resources to exercise the powers granted to him with the duty to report to the Board of Directors on the financial resources used every six months. Furthermore, the Board of Directors, upon proposal of the Remuneration Committee, defines, at the time of appointment and then annually, the remuneration of the Manager in charge. The Company, in connection with the provisions of the Law on Savings, adopted a specific Regulation which, in compliance with legal provisions, the By-laws and following current best practices, among other things:

- a) defines the responsibilities of the Manager in charge of Italmobiliare and specifies his/her related powers;
- b) identifies the responsibilities and method for the appointment, removal and termination of office of the Manager in charge, the length of service and the requirements in terms of professional skills and good reputation;
- c) reports on the principles of conduct which the Company Manager in charge must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;
- d) indicates the responsibilities, powers, and resources granted to the Manager in charge for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;
- e) defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external control Bodies and with subsidiaries, regulating information flows;
- f) illustrates the internal and external attestation process in reference to: a) the statements of the Manager in charge regarding the correspondence of the Company's acts and communications disclosed to the market with its documents and accounting books and entries; b) the statements of the Manager in charge and of the executives, relating to the financial statements, the condensed and interim financial statements and the consolidated financial statements.

Following the change in the organizational structure of the Company, the Manager in charge updated its Regulations to incorporate the new organisational provisions ("**Regulation of the Manager in charge**"). The Regulation of the Manager in charge, examined by the Board of Directors on 31 January 2017, is intended for all the entities, functions, corporate bodies of Italmobiliare, as well as all the companies that it directly or indirectly controls. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents. At the same time, the relevant Operating Model was updated at the same time as the Regulation of the Manager in charge in order to ensure its optimization and simplification.

The functions and duties of the Manager in charge provided for in the Regulation of the Manager in charge include the following:

- a) ensuring there are adequate administrative and accounting procedures for the drafting of the financial statements, the condensed and interim financial statements and the consolidated financial statements, as well as any other financial reporting and non-financial reporting drafted pursuant to Legislative Decree 254/2016, by updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;
- b) assessing, together with the Risk and Sustainability Committee and the external auditors, the correct application of accounting policies and their uniformity for the purposes of the consolidated financial statements;
- c) handling the periodic reporting to top management and the Board of Directors on the activities undertaken;
- d) managing the periodic review of the risks' assessment activities and updating the mapping of financial reporting risks;
- e) taking part in the development of IT systems that have an impact on the Company's financial positions and results of operations.

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

The coordination between the various parties involved in the Internal Control and Risk Management System (Board of Directors, Director in charge, Risk and Sustainability Committee, Head of Internal Audit, Manager in charge and the other corporate roles and functions with specific duties in the area of internal control and risk management, Board of Statutory Auditors, Supervisory Body) is assured through exchange of information and ad hoc meetings at the time the concerned control bodies and committees do actually meet.

12.0 INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 12 November 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted the Procedure for Transactions with Related Parties envisaged by the Consob Regulation of 12 March 2010 (the "**Procedure**"). The procedure was slightly amended in 2013 with i) the extension of the scope of correlation to the members of the Supervisory Body, with the express clarification that, if it is also made up of employees of the Company, these are not to be considered "Key management personnel" and ii) the introduction of a different small-amount thresholds between transactions with individuals and those with legal entities.

Finally, on 14 November 2014, confirming the commitment of the Company to adhere to best practice and guidelines of the Supervisory Authority, the Board of Directors, at the proposal of the Committee for transactions with related parties, deemed it appropriate to make further changes to the Procedure in force which took into account the inspiring guidelines of the regulation and underlying interests. The amendments concern, in particular: 1) the clarification of the definition of an ordinary transaction; 2) identification of some correlation indexes that allow for specific monitoring by the Company on transactions carried out with counterparts who are formally unrelated but that, in substance, could exert influence on the decision-making process; 3) the competence to identify transactions with counterparties having an index of correlation; 4) the provision of a quarterly report to be addressed to the members of the Committee with regard to transactions entered into with counterparties with an index of correlation; 5) the possibility for the Committee to identify - based on indices of significance relating to transactions entered into with counterparties having an index of correlation - the transactions to be submitted in advance to the investigation procedure provided for minor transactions.

Therefore, the Procedure, in compliance with Art. 2391-bis of the Italian Civil Code, sets out the measures adopted by the Company to ensure that transactions undertaken with related parties and counterparties having an *index of correlation*, whether directly or through subsidiaries, are carried out transparently and in compliance with criteria of substantial and procedural correctness, so as to facilitate the identification and allow for the adequate management of situations in which a Director has an interest on his or her own behalf or on behalf of third parties.

In particular, with the exception of some situations, the Procedure provides for the authorization process and the disclosure requirements for transactions between i) a party related to Italmobiliare, on the one hand, and ii) Italmobiliare, on the other, or one of its subsidiaries when, before completing the transaction, the prior examination or authorization by a corporate body of Italmobiliare or by an officer of Italmobiliare with relevant delegated powers is required. The Procedure also applies to transactions undertaken by Italmobiliare with a subsidiary or associated company, as well as between its subsidiaries, when the transaction involves significant interests of a related party of Italmobiliare.

The Procedure distinguishes «significant» transactions from «minor» transactions on the basis of specific criteria predetermined by Consob. This distinction is also relevant for determining applicable rules on transparency, which are simplified for minor transactions and more stringent for significant transactions, although both envisage the prior opinion of the Committee for Transactions with Related Parties.

The Committee has:

- a) the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;
- b) the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through the receipt of a complete and prompt information flow, and the right to ask for information and to submit its remarks to the delegated bodies and to those in charge of the negotiations or the preliminary investigation;
- c) the possibility to request the prior examination of the transactions that the Company will enter into with counterparties having an index of correlation, taking into account some indices of significance;
- d) the right to seek the assistance, at the Company's expense, of independent experts of its choice.

In the case of minor transactions, the Procedure envisages the right, in any case, to execute the transaction even if the Committee for Transactions with Related Parties expresses a negative opinion, provided that this is disclosed to the market through a specific document setting out the reasons for such divergence.

Moreover, the Company By-laws provide that (i) significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting on condition that the majority of non-related shareholders do not cast a vote contrary to performance of the transaction and the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so-called whitewash); and that (ii) the Company may apply the simplified rules in cases of urgency unless the transaction is under the prerogatives of the Shareholders' Meeting and requires its authorization.

Finally, exercising the powers contained in Consob Regulation 11971, the Company identified the following main grounds for exclusion:

- a) transactions for smaller amounts (transactions that do not exceed the amount of euro 500,000 if carried out with related legal entities and transactions that do not exceed an amount of euro 300,000 if carried out with related private individuals);
- b) ordinary transactions (which fall within the ordinary course of business operations and related financial activities of the Company and of the Group in general) if they are concluded on terms equivalent to market or standard conditions;
- c) transactions with or between subsidiaries or with associated companies, unless there are significant interests of other parties related to the Company in the subsidiaries or associated taking part in the transaction;
- d) urgent transactions.

The Procedure is available on the Company's website www.italmobiliare.it.

Without prejudice to the provisions contained in the above Procedure, transactions with related parties must be carried out transparently and in accordance with criteria of substantial and formal correctness. Therefore, the Directors who have an interest, even potential or indirect, in the transaction are required to:

- a) promptly and fully inform the Board of Directors about the existence of the interest and the circumstances regarding it;
- b) leave the board meeting room during the vote.

The Board of Directors, however, under specific circumstances, may allow the Director concerned to participate in the discussion and/or vote.

13.0 APPOINTMENT OF THE STATUTORY AUDITORS

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring the appointment of one Acting Auditor and one Substitute Auditor for minority shareholders, as well as compliance with current legislation regulating gender balance.

Lists must be filed at the Company head offices or by sending notice to the certified electronic mail address indicated in the notice of call, at least 25 days before the date set for the Shareholders' Meeting in first or single call; this, together with the procedures and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may only be presented by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by Consob pursuant to the regulations in force concerning the appointment of the Board of Directors.

No shareholder may file or participate in the filing of more than one list, directly or through a nominee or trust company, or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, not even through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

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

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Acting Auditor and at least one third (rounded upwards) of the candidates for the office of Substitute Auditor. At the time of their filing, lists must include:

a) statements whereby individual candidates:

- accept their candidature;
- state, under his/her own responsibility:
- the possession of the professional requirements envisaged by the By-laws;
- the non-existence of causes of ineligibility or incompatibility;
- fulfilment of the good reputation requirements established by the law;
- the possession of any independence requirements that may be required by the law and the Code;

b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed list that does not comply with the above provisions will be considered not filed.

In the event that, by the deadline of 25 days preceding the date of the Shareholders' Meeting, a single list has been filed, or only lists presented by shareholders who are connected to each other pursuant to current regulations, further lists can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available the lists of candidates which have been submitted by shareholders and the accompanying documentation at its head offices, at the Italian stock exchange and on its website.

In the event of filing of more than one list:

- the list that obtains the highest number of votes at the Shareholders' Meeting elects two Acting Auditors and two Substitute Auditors, in the order in which they are listed in the sections of the list;
- the minority shareholders' list that obtains the highest number of votes among the lists presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third Acting Auditor and the third Substitute Auditor, in the order in which they are listed in the sections of the list;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is relevant for the purposes of excluding the minority shareholders' elected Auditor only if this vote was crucial for the election of said auditor.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several lists or voting the only list presented, the composition of the Board of Statutory Auditors, as to its acting members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of acting auditor on the list that has obtained the highest number of votes or from within the only list presented starting from the last candidate from that list.

Should no lists be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a simple majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured pursuant to current legislation in force. The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the list presented and voted by the minority shareholders, or with the first name in the single list presented or with the person appointed as such by the Shareholders' Meeting should no lists be presented.

Pursuant to the By-laws of Italmobiliare, those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit to the number of offices held as established by the regulation in force, cannot be elected as Statutory Auditors, and if elected cease to serve.

Should an elected Statutory Auditor during his/her term of office no longer meet the requirements envisaged by the law or the By-laws, his/her office terminates.

When it is necessary to replace an Acting Auditor, the Substitute Auditor belonging to the same list as the removed Statutory Auditor takes over.

In the absence thereof, in accordance with the original order of presentation, the candidate from the same list as the outgoing Auditor takes over, without taking the initial section into account.

Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the Statutory Auditor of the minority shareholders.

The Statutory Auditors appointed in this manner hold office until the following Shareholders' Meeting.

Should it be necessary to supplement the Board of Statutory Auditors:

- to replace a Statutory Auditor elected from the majority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority Shareholders' list;

- to replace a Statutory Auditor elected from the minority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original minority shareholders' list;
- for the simultaneous replacement of Auditors elected in the majority and the minority shareholders' lists, the appointment occurs with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the list which each Statutory Auditor to be replaced was part of, with a number of Statutory Auditors equal to the number of ceased Statutory Auditors belonging to the same list.

If it is not possible to proceed as above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle whereby one Acting Auditor and one Substitute Auditor must be appointed by minority shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the Statutory auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

The statutory auditors should accept office when they believe they can dedicate the necessary time to the diligent execution of their tasks.

According to the Code, the Statutory auditors are chosen from among people who may be qualified as independent according to the criteria that the same states with regard to Directors.

14.0 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office, consisting of Francesco Di Carlo, Angelo Casò and Luciana Ravicini, which will remain in office until the approval of the 2019 financial statements, was appointed by the Shareholders' Meeting on 19 April 2017. Two lists were submitted for the appointment of the Board of Statutory Auditors, by Compagnia Fiduciaria Nazionale S.p.A., which included the following names: Angelo Casò, Luciana Ravicini, Silvio Necchi (candidates for the position of Acting Auditor) and Alberto Giussani, Giovanni Rita and Gianluca Panizza (candidates for the position of Alternate Auditor) – and, jointly, Amber Capital UK LLP, Fidelity Funds International and RWC Asset Management LLP - which included the following names: Francesco di Carlo (candidate for the position of Acting Auditor) and Paolo Ludovici (candidate for the position of Alternate Auditor). These lists obtained 14,953,378 and 3,765,399 votes, respectively.

Therefore, according to current regulations and Company By-laws, the Chairmanship was granted to Mr Francesco Di Carlo, from the list presented by the above-mentioned minority shareholders while the remaining two Acting Auditors were elected from the list presented by the relative majority shareholder.

The main personal and professional characteristics of the members of the Board of Statutory Auditors are specified in the documentation filed at the time of appointment in the "Governance/General Meeting" section of the Company website www.italmobiliare.it.

All the members are independent pursuant to the TUF and meet, also, the independence requirements provided by the Code for Directors. According to the rules on gender balance, a third of the members is reserved for the less represented gender.

The composition of the Board of Statutory Auditors is shown in Table 3 below.

During 2017, the Board of Statutory Auditors held a total of twelve meetings, attended by all its members, and also attended all the meetings of the Company's board Committees.

The independent auditors KPMG, the Manager in charge, the Head of Internal Audit and other department managers of the Company were invited to participate in the meetings of the Board of Statutory Auditors to provide the necessary information on issues from time to time on the agenda.

The average duration of the meetings of the Board of Statutory Auditors held during the year was about 2 hours.

Diversity policies

The Company has not approved specific diversity policies. However, with the awareness that diversity and inclusion represent the fundamental elements of the corporate culture, the composition of the Board of Statutory Auditors has evolved over time in accordance with best practices so as to guarantee comprehensive representation in terms of experience, age and gender. On the basis of this broad wealth of skills and ideas, the Board of Statutory Auditors may rely on the contribution of authoritative points of view capable of examining the various matters under discussion from various perspectives.

The Board of Statutory Auditors will monitor compliance with the law and the By-laws, and has management control functions, more specifically, ensuring: *i)* compliance with the principles of good administration; *ii)* adequacy of the Company's organizational structure, the Internal Control and Risk Management System and the administrative and accounting system; *iii)* actual implementation of the Code; *iv)* compliance with the procedure adopted by the Company in respect of transactions with related parties; *v)* adequacy of the instructions given by the Company to its subsidiaries in respect of the obligations of public disclosure of inside information.

The Board of Statutory Auditors is not entrusted with the legally-required audit of the company's accounts, which, as required by law, is entrusted to an independent auditor chosen among those enrolled in the appropriate register, while it has the task to submit a reasoned proposal to the Shareholders' Meeting regarding the appointment of such auditors.

The Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, as established by Legislative Decree no. 39 of 27 January 2010, is also required to perform additional supervision tasks, as assigned to it by such provisions of law, on the financial reporting process, on the effectiveness of the internal control, internal audit and risk management systems; on the audit of the separate financial statements and consolidated financial statements, on the independence of the audit firm.

In the course of 2017, the Board of Statutory Auditors verified the independence of its members as soon as possible after their appointment, specifying the assessment criteria actually applied, and transmitted the result of those verifications to the Board of Directors. The Board of Statutory Auditors also verified the continued fulfilment of independence requirements by its members and transmitted the result of those verifications to the Board of Directors. In conducting the assessments described above, the Board of Statutory Auditors applied all criteria established by the Code with reference to the independence of Directors. The result of the verifications conducted was published via a disclosure to the market.

The Chairman of the Board of Directors ensured that the Statutory Auditors could participate, subsequent to their appointment and throughout their term of office, in the most appropriate forms, in initiatives to provide them with adequate knowledge of the Company's business segment, company trends and their evolution, the principles of proper risk management and the reference regulatory and self-regulatory framework. In particular, during 2017, the Statutory Auditors were able to attend induction meetings organised by the Company, and to have periodic meetings with the Chief Executive Officer to exchange information.

The remuneration of Statutory Auditors is commensurate with the commitment required, the relevance of their role and the size and sector-related characteristics of the business.

The Company requires a Statutory Auditor who, on his or her own behalf or on behalf of third parties, has an interest in a specific Company transaction, to promptly and exhaustively inform the other Statutory Auditors and the Chairman of the Board of Directors about the nature, terms, origin and extent of such interest.

In performing its activities, the Board of Statutory Auditors coordinated with Internal Audit and with the Risk and Sustainability Committee. This coordination is guaranteed by the attendance of the Board of Statutory Auditors at all meetings of the Risk and Sustainability Committee, further ongoing exchanges of information between the chairmen of the two corporate bodies as necessary, regarding issues of interest to both, and frequent meetings with the Head of Internal Audit at meetings of the Board of Statutory Auditors and those of the Risk and Sustainability Committee.

15.0 SHAREHOLDER RELATIONS

With regard to market relations, the Chairman and the Chief Executive Officer - Chief Operating Officer, within their respective responsibilities, provide the guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, the Investor Relations function, whose responsibility was entrusted to Mr Enrico Benaglio, was established as part of the Investment Management Department.

Moreover, in order to provide timely and easy access to information concerning the Company and, therefore, allow the Shareholders to consciously exercise their rights, a special section of the Company's website was set up, which is easily identifiable and accessible, where information regarding the Shareholders' Meetings is given, with particular reference to the arrangements for attendance and exercise of voting rights at the Shareholders' Meetings, the documentation relating to items on the agenda, including Reports on the items on the agenda and the list of candidates for the positions of Director and Statutory Auditor with an indication of their personal and professional characteristics.

16.0 SHAREHOLDERS' MEETINGS

The Company endeavours to develop a dialogue with shareholders based on an understanding of each other's roles, and with the market, in accordance with the laws and rules governing the dissemination of inside information. The Company's behaviour and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

The Shareholders' Meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of Shareholders and to facilitate the exercise of voting rights.

To this end, the Board of Directors reports to the Shareholders' Meeting on the activities it has carried out and planned and endeavours to ensure that shareholders have adequate information so that they can take the decisions pertaining to the Shareholders' Meeting with knowledge of the facts.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on single call, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meetings proceedings of each call.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

No Shareholders' Meeting regulation has been set forth since the broad powers that the law and jurisprudence recognize to the Chairman, as well as the provision of the By-laws (Art. 13) that expressly gives the Chairman the power to direct the discussion and establish order and method of the vote, provided it takes place by recorded vote, were considered adequate tools for the orderly conduct of meetings of Shareholders.

17.0 FURTHER CORPORATE GOVERNANCE PROCEDURES

Further corporate governance procedures adopted by the Company are described below.

17.1 CODE OF ETHICS

The Code, approved for the first time in 1993 and further modified, envisages that all employees and those who deal with the Group or act to achieve its objectives shall base their dealings and conduct on principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.

To this end, at its meeting of 9 February 2001, the Italmobiliare Board of Directors approved the current version of the Code of Ethics which defines the rules for loyalty and fidelity, impartiality, protection of privacy and confidentiality of information, protection of people, the environment and company assets. The Code establishes the provisions which are the basis of the control processes and the accounting/operational information, and introduces rules to govern dealings with customers, suppliers, public institutions, political organizations and trade unions, and the media.

Every person registered in the insider register is obliged to maintain confidential all inside information they handle or which they have access to until the same has been disclosed to the public in accordance with the principle of equal access to information.

17.2 CODE OF CONDUCT

The Company has adopted its own “Code of Conduct”, originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called Market Abuse Directive) introduced by the Law on Savings of 2005. On 29 November last, the Board of Directors of the Company, as a result of the entry into effect of EU Regulation no. 596/2014 (“Market Abuse Regulation”) and related implementing provisions, approved a new procedure relating to the fulfilment of internal dealing obligations.

The Code of Conduct, adopted by the Company in application of the rules in effect, governs the obligations and communication procedures, and behaviour, regarding the Transactions relating to financial instruments issued by the Company, carried out by parties who exercise the administration, control or management functions, or anyone who holds shares equal to or higher than 10% (ten per cent) of the share capital of the Company, represented by shares with voting rights, or any other party who controls the Company (Persons discharging managerial responsibilities “PDMRs”) and Persons Closely Associated.

The aim of the Code of Conduct is to:

- identify the PDMRs of the Company who have to make the communications described under article 19 of Regulation (EU) no. 596 of the European Parliament and of the Council of 16 April 2014;
- define the communication methods - by the PDMRs to the Company - of information relating to transactions on shares, negotiable instruments, derivative instruments, or other related financial instruments, carried out by them or Persons Closely Associated,
- and define the management procedures, by the Company, for the communications received and fulfilment of their distribution obligations, identifying the party authorized to receive, manage, and distribute these communications to the market.

The provisions of the Code of Conduct form an integral part of the corporate rules, and therefore all the PDMRs must duly comply with them.

The Code of Conduct is also an essential component of the Internal Control and Risk Management System of the Company, and the overall system in place to prevent offences pursuant to Legislative Decree no. 231/2001, and more specifically, the Organizational model adopted by Italmobiliare for that purpose.

For the purpose of the Code of Conduct, in accordance with Article 19, paragraph 1 and Article 3, paragraph 1, point

25) of Regulation (EU) no. 596/2014 relating to market abuse, and Article 114, paragraph 7 of Legislative Decree no. 58/1998, the following can be classified as PDMRs:

- a) members of the Board of Directors and the Board of Statutory Auditors of Italmobiliare;
- b) all other managers of the Company who have regular access to inside information relating directly or indirectly to the Company, and have the power to make managerial decisions affecting the future developments and business prospects of the Company;
- c) anyone who holds shares equal to or greater than 10% (ten per cent) of the share capital, represented by shares with voting rights, and any other party who controls the Company.

The Chief Executive Officer - Chief Operating Officer shall identify the other Company managers with “regular” access to the inside information and who have decision-making power.

The identification shall be carried out on the basis of the following criteria:

- a) assessment of the access to inside information by the “manager” in relation to the duties assigned;
- b) organizational structure and authorization and powers of attorney system adopted by the Company;
- c) powers of the manager to make management decisions that could affect the transactions and/or the development and future prospects of Italmobiliare.

For the purpose of the Code of Conduct, in accordance with Article 19, paragraph 1 and Article 3, paragraph 1, point 26) of Regulation no. 596/2014, Persons Closely Associated with the PDMRs are:

- a) a spouse (not legally separated) or a partner considered to be equivalent to a spouse in accordance with national law;
- b) a dependent child, in accordance with national law;
- c) a relative who has shared the same household for at least one year on the date of the transaction concerned; or
- d) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in points (i), (ii), or (iii), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The PDMRs will sign a statement showing their awareness and acceptance, with the duty to notify the Persons Closely Associated in writing, that can be traced to them, of their communication obligations in accordance with prevailing law and this Procedure, and to keep a copy of the notification, and ensure that said persons do everything necessary to duly comply with said obligations.

This statement, duly filled in, also with the information on the Persons Closely Associated, must be promptly sent to the Company.

The Party in Charge of receipt, management and distribution of the communications to the market will prepare and keep the list of names of the PDMRs and the Persons Closely Associated updated.

In particular, the persons concerned must inform the Company, so that the latter may inform the market, about the performance of transactions on the latter’s shares of an aggregate amount exceeding the euro 5,000 threshold by the end of the year.

Moreover, the ‘Code of Conduct’ envisages that the PDMRs must abstain from performing transactions that are subject to communication to the Company:

- on listed financial instruments issued by Italmobiliare: during the 30 calendar days preceding the meeting of Italmobiliare’s Board of Directors called to approve the separate annual and interim financial statements, including the day on which the meeting is held.

18.0 CHANGES SINCE THE END OF THE APPLICABLE FINANCIAL YEAR

Without prejudice to what is specified in paragraphs 3.0 and 7.0 regarding the assignment to the Remuneration Committee of the functions attributed by the Code to the Appointment Committee, there were no changes made to the Corporate Governance structure after the 2017 year-end that had a significant effect on anything contained in this Report.

19.0 CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations submitted by the Chairman of the Corporate Governance Committee in the letter dated 13 December 2017 were brought to the attention of the Board of Directors at its meeting on 14 February 2018 and were considered during the self-assessment.

In the subsequent meeting, on 6 March 2018, the Board decided to attribute responsibilities "for Nominations" to the already existing Remuneration Committee, in accordance with the provisions of the Code of Conduct.

Finally, in agreement with the principles of the letter from the Chairman of the Corporate Governance Committee and in response to the recommendations it contained, the Company gave a mandate to the Remuneration and Nomination Committee to identify and propose possible evolutions of the Company's governance to the Board.

Milan, 6 March 2018

For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES
Term of Office 2014-2016

Board of Directors									
Position	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Exec.	Non-exec.	Indep. Code
Chairman	Giampiero Pesenti	1931	05/12/1967	27.05.2014	19.04.2017	M	•		
Deputy Chairman	Italo Lucchini	1943	17/06/1999	27.05.2014	19.04.2017	M		•	
Director	Anna Maria Artoni	1967	27/05/2014	27.05.2014	19.04.2017	M		•	•
Director	Carolyn Dittmeier	1956	27/05/2014	27.05.2014	19.04.2017	M		•	•
Director	Gianemilio Osculati	1947	25/05/2011	27.05.2014	19.04.2017			•	•
Director	Paolo Sfameni	1965	25/11/2011	27.05.2014	19.04.2017			•	•
-----DIRECTORS LEAVING OFFICE DURING THE YEAR-----									
-	-	-	-	-	-	-	-	-	-
No. of meetings held during the year: 3						Control and Risk Committee: 3			
Quorum required to submit lists by the minority parties for election of one or more members (pursuant to Art. 147-ter of the TUF): 1%									

Indep. TUF	No. other offices ***	(*)	Control and Risk Committee		Remun. Committee		Committee for Transactions with Related Parties		Executive Committee	
			(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
	1	0/3							0/0	C
	2	3/3			3/3	M			0/0	M
•	1	3/3					0/0			
•	2	3/3	3/3	C			0/0			
	1									
	4		3/3	M	3/3	M	0/0			
-	-			-	-	-	-	-	-	-
Remun. Committee: 3	Committee for Transactions with Related Parties: 0			Executive Committee: 0						

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES
Term of Office 2017-2019

Board of Directors									
Position	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Exec.	Non-exec.	In-dep. Code
Honorary Chairman	Giampiero Pesenti	1931	05.12.1967	19.04.2017				•	
Chairman	Zanetti Laura	1970	14.11.2013	19.04.2017	Fin.Stat. 2019	M		•	
Chief Executive Officer ◊	Pesenti Carlo	1963	17.06.1999	19.04.2017	Fin.Stat. 2019	M	•		
Director	Bertazzoni Vittorio	1976	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Bonomi Giorgio	1955	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•	
Director	Cartia d'Asero Mirja	1969	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Casella Valentina	1979	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Fornero Elsa Maria Olga	1948	27.07.2017	27.07.2017	Fin.Stat. 2017			•	•
Director	Mazzoleni Sebastiano	1968	25.05.2011	19.04.2017	Fin.Stat. 2019	M		•	
Director	Minoli Luca	1961	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•	
Director	Palmieri Chiara	1970	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Rebecchini Clemente	1964	25.05.2011	19.04.2017	Fin.Stat. 2019	M		•	
Director	Salerno Antonio	1974	19.04.2017	19.04.2017	Fin.Stat. 2019	m		•	•
Director and Deputy Chairman	Strazzeria Livio	1961	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•	
Director	Tononi Massimo	1964	29.05.2014	19.04.2017	Fin.Stat. 2019	M		•	•
-----DIRECTORS LEAVING OFFICE DURING THE YEAR-----									
Director	Pomodoro Livia	1940	19.04.2017	19.04.2017	19.04.2017 27.07.2017				
No. of meetings held during the year: 8						Risk Committee: 7			
Quorum required to submit lists by the minority parties for election of one or more members (pursuant to Art. 147-ter of the TUF): 1%									

NOTES

◊ This symbol means the director in charge of the internal control and risk management system.

◊ This symbol means the main person responsible for managing the issuer (Chief Executive Officer or CEO).

* Date of first appointment of each director means the date on which the director was appointed for the first time (overall) to the BoD of the issuer.

** This column indicates the slate from which each director was chosen ("M": majority slate; "m": minority slate; "BoD": slate presented by the BoD).

***This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, in finance, banking, insurance or other sizeable companies. The appointments are set out in full in the Corporate Governance Report.

(*) This column shows the attendance of the directors respectively at the meeting of the Board of Directors and the Committees, respectively (the number of meetings attended is indicated with respect to the total number of meetings he/she could have attended; such as 6/8; 8/8, etc.).

(***) This column shows the status of the Director within the Committee: "C": chairman, "M": member.

In-dep. TUF	No. other offices ***	(*)	Risk and Sust. Committee		Remunera-tion Committee		Committee for Transactions with Related Parties		Executive Committee	
			(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
	-									
•	1	11/11							1/1	C
	1	11/11							1/1	M
•	1	6/8			2/3	M				
	1	9/11	10/10	M						
•	2	8/8	7/7	C			3/3	M		
•	2	8/8	7/7	M			3/3	C		
•	1	5/8					1/3	M		
	0	11/11								
	1	11/11							1/1	M
•	1	8/8			3/3	M				
•	0	9/11								
•	0	8/8								
•	1	11/11							1/1	M
•	2	11/11			3/3	C			1/1	M
	2									M
Remun. Committee: 3	Committee for Transactions with Related Parties: 3				Executive Committee: 1					

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS
Term of Office 2017-2019

BOARD OF STATUTORY AUDITORS									
Position	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Indep. Code	Attendance at Board meetings ***	No. of other offices ****
Chairman	Di Carlo Francesco	1969	25.05.2011	19.04.2017	Bil. 2019	m	•	12	3
Acting auditor	Casò Angelo	1940	25.05.2011	19.04.2017	Bil. 2019	M	•	11	3
Acting auditor	Ravicini Luciana	1959	27.05.2014	19.04.2017	Bil. 2019	M	•	12	-
Alternate auditor	Giussani Alberto	1946	19.04.2017	19.04.2017	Bil. 2019	M	•		1
Alternate auditor	Rita Giovanni	1973	19.04.2017	19.04.2017	Bil. 2019	M	•		-
Alternate auditor	Ludovici Paolo	1965	25.05.2011	19.04.2017	Bil. 2019	m	•		-
-----STATUTORY AUDITORS LEAVING OFFICE DURING THE YEAR-----									
	Surname								
	Name								

Number of meetings held during the year: 13

Quorum required to submit lists by the minority parties for election of one or more members (pursuant to Art. 148 of the TUF): 1%

NOTES

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of the issuer.

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

*** This column shows the attendance of the auditors at the Board of Statutory Auditors meetings (the number of meetings attended is indicated with respect to the total number of meetings he/she could have attended, e.g. 6/8, 8/8, etc).

**** This column indicates the number of offices as director or statutory auditor held by the person concerned, considered significant pursuant to Article 148 bis of the TUF and the relative implementing provisions contained in the Consob Issuers' Regulation. The complete list of offices held is published by Consob on its website, pursuant to article 144-quinquiesdecies of the Consob Issuer Regulations