



**Report on corporate governance and ownership structure**





REPORT  
ON CORPORATE GOVERNANCE AND  
OWNERSHIP STRUCTURE

Pursuant to Article 123-*bis* Consolidated Law on Finance (T.U.F)

traditional management and control model

Tesmec S.p.A.

[www.tesmec.com](http://www.tesmec.com)

Financial Period as at 31/12/2019

Approved by the Board of Directors on 13 March 2020

To be submitted to the Shareholders' Meeting of 21 May 2020



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## GLOSSARY

<b>Shareholders' Meeting:</b>	meeting of the shareholders of the company, as defined below.
<b>Borsa Italiana (Italian Stock Exchange):</b>	Borsa Italiana S.p.A., with registered office in Milan, piazza degli Affari no. 6.
<b>Code/Self-Regulatory Code of Conduct:</b>	the Self-Regulatory Code of Conduct of Listed Companies approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
<b>Italian Civil Code:</b>	the Italian Civil Code.
<b>Control and Risk Committee:</b>	has the meaning given in paragraph 9 of this Report, as defined below.
<b>Remuneration and Appointments Committee:</b>	has the meaning given in paragraph 7 of this Report, as defined below.
<b>CONSOB:</b>	Commissione Nazionale per le Società e la Borsa (Italian Securities and Exchange Commission), with registered office in Rome, via Martini n. 3.
<b>Board:</b>	the Board of Directors of the Issuer.
<b>Date of the Report:</b>	13 March 2020, the date on which the Report – as defined below – was approved by the Board.
<b>Decree 231:</b>	Italian Legislative Decree no. 231 of 8 June 2001.
<b>Issuer or the Company or Tesmec:</b>	Tesmec S.p.A., with registered office in Milan, Piazza S. Ambrogio n. 16.
<b>Financial Period:</b>	the financial period ended as at 31 December 2019, to which the Report refers.
<b>Group or Tesmec Group:</b>	jointly, the Issuer and the companies controlled by it on the Date of the Report pursuant to Article 2359 of the Italian Civil Code.
<b>Instructions accompanying the Stock-Exchange Regulations:</b>	the Instructions accompanying the Stock-Exchange Regulations – as defined below.
<b>Majority List:</b>	has the meaning given in paragraph 4.1 of this Report, as defined below.
<b>Majority List for the Appointment of Auditors:</b>	has the meaning given in paragraph 12 of this Report, as defined below.
<b>Minority List:</b>	has the meaning given in paragraph 4.1 of this Report, as defined below.
<b>Model:</b>	the organisation, management and control model pursuant to paragraph 10.3 of this Report, as defined below.
<b>MTA or Electronic Stock Exchange:</b>	the Electronic Stock Exchange, organised and managed by Borsa Italiana.
<b>Supervisory Body:</b>	has the meaning given in paragraph 10.3 of this Report, as defined below.
<b>Procedure for Related Party Transactions:</b>	has the meaning given in paragraph 1 of this Report, as defined below.
<b>Stock-Exchange Regulations:</b>	the Regulations of the Markets organised and managed by Borsa Italiana in force on the Date of the Report.
<b>Issuers' Regulations:</b>	the Regulations issued by CONSOB with resolution no. 11971 of 1999 (as amended) on issuers, in force on the Date of the Report.
<b>CONSOB Market Regulations:</b>	the Regulations issued by CONSOB with resolution no. 20249 of 2017 on markets, in force on the Date of the Report.
<b>Related Parties Regulations:</b>	the Regulations issued by CONSOB with resolution no. 17221 of 2010 (as amended) on transactions with related parties.

<b>Report:</b>	this Report on Corporate Governance and Ownership Structure that companies are required to prepare pursuant to Article 123- <i>bis</i> Consolidated Law on Finance (T.U.F.).
<b>Minority Auditor:</b>	has the meaning given in paragraph 12 of this Report.
<b>Minority Alternate Auditor:</b>	has the meaning given in paragraph 12 of this Report.
<b>Articles of Association:</b>	Tesmec's Articles of Association in force on the Date of the Report.
<b>TUF or Consolidated Law:</b>	Italian Legislative Decree no. 58 of 24 February 1998 (as amended) in force on the Date of the Report.

## 1. ISSUER'S PROFILE

Tesmec Group is leader in designing, manufacturing and selling of systems, technologies and integrated solutions for the construction, maintenance and efficiency of infrastructures related to the transport and distribution of energy, data and material.

In details, the Group is active in the following **sectors: 1) transmission and distribution networks and systems** (stringing equipment for the installation of conductors and the underground cable laying; solutions for smart grid management through advanced protection, monitoring, remote control and automation devices) 2) **underground civil infrastructures** (high powered tracked trenchers for linear excavation of oil, gas and water pipelines, telecommunication networks and drainage operations; surface miners for bulk excavation, quarries and site preparation; specialized digging services); 3) **railway lines** (railway equipment for the installation and maintenance of the catenary and for special applications, e.g. snow removal from track; new generation power unit).

The Group, established in 1951 and led by Chairman & CEO Ambrogio Caccia Dominioni, relies on more than 500 employees and has production plants in: Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari) in Italy, in Alvarado (Texas) in the USA, and in Durtal, in France. The Group also has a global commercial presence through foreign subsidiaries and sales offices in USA, South Africa, Russia, Qatar, China and France.

Accrued know-how in the development of specific technologies and innovative solutions and the presence of a team of highly specialist engineers and technicians enables the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery, to providing know-how regarding the use of systems and the optimisation of work, and finally to all pre- and post-sales services related to the machinery and to optimisation of worksite efficiency. All product lines are developed in accordance with the ISEQ (Innovation, Safety, Efficiency and Quality) philosophy, with environmental sustainability and energy conservation in mind.

Tesmec adopts a traditional management and control system that is characterised by the presence of:

- a Shareholders' Meeting vested with the decisions on prime acts of management of the company, in accordance with the Law and the Articles of Association;
- a Board of Directors in charge of managing the company business, which has granted operational powers to bodies and delegated subjects;
- a Board of Statutory Auditors called upon to supervise compliance with the Law and the Articles of Association and compliance with the principles of correct administration, as well as to control the adequacy of the organisational structure, the internal control system and the company's administrative-accounting system;
- Independent Auditors, in charge of auditing and providing an opinion on the financial statements pursuant to the Law and Articles of Association.

Within the Board of Directors, in compliance with the recommendations contained in the Self-Regulatory Code of Conduct, a Control and Risk Committee and a Remuneration and Appointments Committee were set up. Moreover, on 11 November 2010, the Board of Directors approved a procedure for related party transactions, effective as from 1 January 2011 (the "**Procedure for Related Party Transactions**"). The Board of Director (i) with its resolution of 14 March 2014 revised and updated the Procedure for Related Party Transactions and (ii) with its resolution of 1 March 2018 decided not to carry out any revision of the Procedure for Related Party Transactions. The duties of the Committee for Transactions with Related Parties stated in the procedure are entrusted to the Control and Risk Committee (see paragraphs 9 and 11 of this Report).

On the Date of the Report, the Issuer comes under the definition of SME pursuant to Article 1, paragraph 1, letter *w-quater*.1) of the Consolidated Law on Finance (T.U.F.) and Article 2-*ter* of the CONSOB Issuers' Regulation as can be seen from the list of SMEs published by CONSOB on its website pursuant to Article 2-*ter*, paragraph 2, of the Issuers' Regulation.

## **2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to Article 123-bis, paragraph 1, Consolidated Law on Finance (T.U.F.) AT THE DATE OF THE REPORT**

Information on the ownership structure on the date of this Report, in compliance with the provisions of Article 123 bis, paragraph 1, of the Consolidated Law on Finance (T.U.F.), is indicated below.

### **(A) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a) Consolidated Law on Finance (T.U.F.))**

The entire share capital of Tesmec S.p.A. consists of ordinary shares with voting rights, admitted to listing on the Italian Electronic Stock Market, STAR segment, organised and managed by the Italian Stock Exchange.

The fully subscribed and paid-up share capital currently totals Euro 10,708,400 divided into 107,084,000 ordinary shares with a nominal value of Euro 0.10 each. (See Table 1 attached to this Report).

The Company has not issued other categories of shares, or financial instruments convertible or exchangeable with shares.

On the Date of the Report, there are no share-based incentive plans that involve an increase, including bonus issue, of share capital.

### **(B) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) Consolidated Law on Finance (T.U.F.))**

The Articles of Association of Tesmec do not provide restrictions on the transfer of shares, such as limits to the ownership of securities or the need to obtain the approval of the Issuer or of other owners of securities.

### **(C) Significant equity investments (pursuant to Article 123-bis, paragraph 1, letter c) Consolidated Law on Finance (T.U.F.))**

The Company comes under the definition of a small and medium-sized enterprise (SME) pursuant to art. 1, paragraph 1, letter *w-quarter* 1) of the Consolidated Law on Finance (T.U.F.), introduced by Italian Legislative Decree no. 91 of 24 June 2014 converted with amendments by Law no. 116 of 11 August 2014. Therefore the minimum shareholding to be reported pursuant to art. 120 of the Consolidated Law on Finance (T.U.F.) is 5% instead of 3%.

According to the register of shareholders and to the updates available on the Date of the Report, including the communications received by the Company pursuant to Article 120 of the Consolidated Law on Finance (T.U.F.), as well as any other information available, the subjects holding directly or indirectly shares more than 5% of the subscribed and paid-up share capital, are those described in Table 1 attached to this Report.

### **(D) Securities granting special controlling rights (pursuant to Article 123-bis, paragraph 1, letter d) Consolidated Law on Finance (T.U.F.))**

The Company has not issued securities that grant special controlling rights and the Articles of Association of Tesmec do not provide special powers for some shareholders or holders of specific classes of shares, nor do they include provisions as to multiple or increased voting right shares.

### **(E) Employee shareholding: exercise of voting rights (pursuant to Article 123-bis, paragraph 1, letter e) Consolidated Law on Finance (T.U.F.))**

There is no system of employee shareholding at the date of this Report.

**(F) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) Consolidated Law on Finance (T.U.F.))**

The Articles of Association do not contain special provisions that cause restrictions on voting rights, such as limits on voting rights to a certain percentage or number of votes, deadlines on voting rights or systems in which, with the cooperation of the Issuer, the financial rights related to the securities are separated from their ownership.

**(G) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g) Consolidated Law on Finance (T.U.F.))**

On the Date of the Report, the Issuer is not aware of any shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance (T.U.F.) entered into between shareholders.

**(H) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h) Consolidated Law on Finance (T.U.F.)) and provisions established by the Articles of Association on public purchase offers (pursuant to Article 104, paragraph 1-ter, and 104-bis, paragraph 1)**

On the Date of this Report, the Company and its subsidiaries have no relevant contracts that take effect, alter or terminate upon a change of control of the Company or of its subsidiaries.

The Articles of Association of the Company do not provide for exceptions to the provisions on the passivity rule provided by Article 104, paragraphs 1 and 1-bis, of the Consolidated Law on Finance (T.U.F.), nor do they envisage the application of the neutralisation rules contemplated by Article 104-bis, paragraphs 2 and 3, of the Consolidated Law on Finance (T.U.F.).

**(I) Powers to increase the share capital and authorisations to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) Consolidated Law on Finance (T.U.F.))**

The Board was not authorised by the Shareholders' Meeting to increase the share capital pursuant to Article 2443 of the Italian Civil Code.

On 16 April 2019, upon revocation of the previous resolution adopted on 6 April 2018, the ordinary Shareholders' Meeting of Tesmec authorised the Board of Directors, with the option of delegation, to carry out purchase and sale operations, in one or more times, also through subsidiaries, of treasury shares for a maximum period of 18 months from the date of the resolution, up to a maximum number of ordinary shares representing as a whole not more than 10% of the currently existing share capital, comprising ordinary shares only, in compliance with law provisions and regulations of Borsa Italiana, Article 144-bis of the Issuers' Regulations as well as Community provisions on the matter.

Based on the resolution, any purchases must be made on the market at a price that does not exceed the highest value between the price of the last independent transaction and the price of the current higher independent offer in trading venues where the purchase is made, without prejudice to the fact that the purchase transactions must be carried out at a price that does not deviate down and up for more than 10% compared to the reference price recorded by the security at the close of the trading session before each transaction.

The authorisation was requested to pursue, in the interests of the Company, also through subsidiaries, the purposes allowed by the applicable laws and regulations in force such as, (i) offering incentives to and developing loyalty of employees (including any category that, by the same standard as the law, in force each time, is treated as equivalent), collaborators, directors of the Company and/or of companies controlled by it and/or other categories of subjects (such as one-firm agents or otherwise) chosen at the discretion of the Board of Directors, as deemed appropriate each time by the Company, (ii) fulfilling any obligation arising from debt instruments convertible into/or exchangeable with equity instruments, (iii) carrying out sales, exchanging, swapping, transferring transactions or other disposal of treasury shares for acquisitions of shareholdings and/or real estate and/or the conclusion of agreements (trade agreements or otherwise) with strategic partners, and/or for the implementation of industrial projects or extraordinary financial operations, which fall within the objectives of expansion of the Company and the Tesmec Group; (iv) carrying out subsequent share purchase and sale transactions, within the limits permitted by accepted market practice, including transactions to support market liquidity; (v) in order to carry out purchases of treasury shares held by

employees of the Company or its subsidiaries and assigned or subscribed pursuant to arts. 2349 and 2441, paragraph 8, of the Civil Code, or resulting from payment plans approved pursuant to art. 114-*bis* of the Consolidated Law on Finance (T.U.F.); and (vi) seizing market opportunities also through the purchase and resale of shares whenever appropriate both on the market (as regards conveyance) in the so-called over-the-counter markets or even outside the market provided at market conditions.

At the end of the financial period of reference as at 31 December 2019, the Company held as treasury shares no. 4,711,879; at the Date of the Report, the number of treasury shares held is 4,711,879.

**(L) Management and co-ordination activities (pursuant to Article 2497 et sequitur of the Italian Civil Code)**

On the Date of the Report, the Issuer is controlled pursuant to Article 93 of the Consolidated Law on Finance (T.U.F.) by TTC S.r.l., holding company.

TTC S.r.l. does not carry out the management and coordination activity on the Issuer pursuant to Article 2497- et sequitur of the Italian Civil Code. TTC S.r.l. is a holding that performs the mere function of managing the equity investments without carrying out management and co-ordination activities towards the subsidiaries.

Specifically:

- a) the information required by Article 123-*bis*, paragraph 1, letter i) of the Consolidated Law on Finance (T.U.F.) (“the agreements between the company and the directors that provide for payments in the event of resignation or dismissal without just cause or if the employment relationship is terminated following a public purchase offer”) is illustrated in the section of the report on remuneration and fees paid published pursuant to Article 123-*ter* of the Consolidated Law on Finance (T.U.F.) (paragraph [1.4] of the report);
- b) the information required by article 123-*bis*, paragraph 1, letter l), of the Consolidated Law on Finance (T.U.F.) (“applicable law for the appointment and replacement of directors and for the amendment to the Articles of Association, if different from those laws and regulations additionally applicable”) is illustrated in the section of the Report dedicated to the Board of Directors (paragraph 4.1 of the Report).

**3. COMPLIANCE (pursuant to Article 123-bis, paragraph 2, letter a), Consolidated Law on Finance (T.U.F.))**

The Company has adopted the provisions of the Self-Regulatory Code of Conduct of Borsa Italiana.

The Self-Regulatory Code of Conduct is available to the public on the website of the Corporate Governance Committee at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

The Issuer and its subsidiaries having strategic relevance, Tesmec USA, Inc. and Marais Technologies Sas, are not subject to non-Italian provisions of law that affect the Corporate Governance structure of the Issuer.

## **4. BOARD OF DIRECTORS**

### **4.1 Appointment and replacement (pursuant to Article 123-bis, paragraph 1, letter I), Consolidated Law on Finance (T.U.F.))**

Pursuant to Article 14 of the Articles of Association, the company is managed by a Board of Directors consisting of no less than 5 and no more than 15 members, as determined by the Shareholders' Meeting.

Those who are ineligible under the regulations in force cannot be appointed as directors, and if elected they fall from office.

The members of the Board of Directors remain in office for a period not exceeding 3 company financial periods and their office terminates on the date the Shareholders' Meeting is convened to approve the financial statements relating to the last financial year of their office; they can be re-elected. The Board of Directors is appointed by the Shareholders' Meeting based on the lists presented by the Shareholders.

The Shareholders who, upon presentation of the list, own a stake in the share capital at least equal to the one determined by CONSOB pursuant to Article 147-ter, paragraph 1 of the Consolidated Law on Finance (T.U.F.), and in compliance with the provisions set out in the Issuers' Regulations may present a list for the appointment of the Directors.

The Directors, on the basis of a special resolution of the Board of Directors, can present a list as well without the above requirement of stake ownership.

Lists are filed with the registered office at least 25 (twenty-five) days before the date set for the Shareholders' Meeting convened to decide on the appointment of the Directors. Moreover, lists must be made available to the public by the Company without delay and any way at least 21 (twenty-one) days before the date set for the Shareholders' Meeting, under the terms prescribed by the laws in force.

The lists include a number of candidates not exceeding fifteen, each coupled with a progressive number. The lists presenting a number of candidates equal to or greater than three must include candidates belonging to both genders, in such a way that at least one third of the candidates (rounding up, if necessary, to the higher integer) belongs to the less represented gender. Each list must contain and expressly indicate at least one Independent Director pursuant to Article 147-ter of the Consolidated Law on Finance (T.U.F.), with a progressive number of no more than seven. If the list consists of more than seven candidates, it must contain and expressly indicate a second Independent Director pursuant to Article 147-ter of the Consolidated Law on Finance (T.U.F.). If necessary, each list can also indicate explicitly the Directors with independence requirements provided by codes of conduct drafted by regulated market management companies or by trade associations.

The lists also contain, as an enclosure:

- a) the curriculum vitae concerning the personal and professional details of the candidates;
- b) the declarations by which each candidate accepts his/her own candidature and attests, on his/her own responsibility, that there are no reasons to exclude his/her eligibility, that there are no incompatibility issues, and that he/she complies with all the requirements prescribed by the prevailing law to hold the position of director of the Company, including the declaration on the requirements to be qualified as an "Independent Director pursuant to Article 147-ter" and, if necessary, on the further requirements provided by codes of conduct drafted by regulated market management companies or by trade associations;
- c) indication of the identities of the shareholders who presented the lists and the percentage of the overall shareholding, proved by an appropriate communication issued by the intermediary, without prejudice to the indications set out in Article 147-ter, paragraph 1 of the Consolidated Law on Finance (T.U.F.);
- d) any additional or different privacy declaration, informative report and/or document provided for by law and by applicable regulations.

Each shareholder and the shareholders joining the same shareholders' agreement pursuant to Article 122 of the Consolidated Law on Finance (T.U.F.) cannot present or vote more than one list, albeit by proxy or through a trust.

At the end of the voting, candidates are elected from two lists that have obtained the most votes, with the following criteria:

- (i) a number of directors equal to the total number of members of the Board, minus one, is taken from the List that obtained the majority of votes (the “**Majority List**”), in the sequential order in which they are presented, as previously established by the Shareholders' Meeting; within such number limits, the candidates are elected in the order in which they are listed;
- (ii) a Director, in the person of the candidate indicated with the first number in the List, is drawn from the second list that obtained the highest number of votes and who is not connected directly or indirectly to the shareholders who presented or voted the Majority List pursuant to the applicable provisions and that is not the list presented by the Board of Directors (the “**Minority List**”); however, if not even one Independent Director under Article 147-ter is elected within the Majority List, in case of a board of not more than seven members, or only one Independent Director under Article 147-ter is elected, in case of a board of more than seven members, the first Independent Director under Article 147-ter indicated in the Minority List will be elected, instead of the first on the Minority List. Moreover, if, with the candidates elected in the manner described above, the compliance of the composition of the Board of Directors with the *pro tempore* regulations on gender balance in force is not ensured, the candidate of the more represented gender elected last in sequential order in the Majority List will be replaced by the first candidate of the non-elected less represented gender of the same list in sequential order. This replacement procedure will be carried out until the composition of the Board of Directors is in compliance with the *pro tempore* regulations on gender balance in force. Finally, if the said procedure does not ensure the result indicated above, the replacement will take place with resolution passed by the Shareholders' Meeting by majority vote, subject to the presentation of candidates belonging to the less represented gender.

Lists will not be taken into consideration unless they obtain a percentage of votes equal to at least half of the percentage required for presenting the lists.

In the event that the lists obtain the same number of votes, the list presented by shareholders owning the largest stake when the list is presented, or, subordinately, the one presented by the greatest number of shareholders, prevails.

If only one list is presented, the Shareholders' Meeting will vote on it and if it obtains the relative majority of voters, without taking account of abstentions, the candidates listed in sequential order will be elected Directors, up to the number established by the Shareholders' Meeting, without prejudice to the fact that, if the Board has more than seven members, the second Independent Director under Article 147-ter is also elected, in addition to the one necessarily placed with the first seven and without prejudice to the compliance with the *pro tempore* regulations on gender balance in force.

In the absence of lists, or if the number of directors elected on the basis of the presented lists is lower than the one determined by the Shareholders' Meeting, the members of the Board of Directors are appointed by the Shareholders' Meeting itself with the majorities provided by law, without prejudice to the obligation for the Shareholders' Meeting to appoint the minimum number of Independent Directors required under Article 147-ter and always in compliance with the *pro tempore* regulations on gender balance in force.

The Independent Directors under Article 147-ter, indicated as such when appointed, must immediately inform the Board of Directors of any non-fulfilment of the independence requirements; the Director falls from his/her office if the minimum number of directors with the said independence requirements requested by the law provisions in force no longer exists within the Board.

The candidate possibly indicated as Chairman of the Board of Directors in the Majority List or in the only list presented and approved is elected as such. Failing this, the Chairman is appointed by the Shareholders' Meeting with the majorities provided by law, or he/she is appointed by the Administrative Body pursuant to the Articles of Association.

In the event of termination of office, for any reason, of one or more Directors, they may be replaced according to the provisions of Article 2386 of the Italian Civil Code, without prejudice to the compliance with the *pro tempore* regulations on gender balance in force.

In this regard, note that on 1 January 2020 the provisions of Italian Law no. 160 of 27 December 2019 (“2020 Budget Law”) came into force, amending Articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis, of the Consolidated Law on Finance (T.U.F.), introduced by Italian Law no. 120 of 12 July 2011 (known as “Gulf-Moscow Law”), on the subject of gender balance in the corporate bodies of companies with listed shares. The 2020 Budget Law envisaged that the management and control bodies of listed companies reserve “at least two fifths” of the members (instead of one third) to the less represented gender and established that this distribution criterion applies for “six

subsequent mandates" (instead of three). Therefore, as part of the next renewal of the company bodies, lists will have to be drawn up and their members elected in accordance with the relevant provisions of the 2020 Budget Law and CONSOB regulations.

## **Succession Plans**

On the Date of the Report, the Board of Directors considered not to adopt a succession plan for the Executive Directors, in consideration of the particular shareholding structure and current system for the delegation of powers, implemented within the Board of Directors. In this regard, depending on the shareholding structure, the Company is able to promptly set up the Board of Directors in order to take the appropriate decisions.

### **4.2 Composition (pursuant to Article 123-bis, paragraph 2, letters d) and d-bis), Consolidated Law on Finance (T.U.F.))**

On the occasion of the renewal of corporate offices, the Ordinary Shareholders' Meeting of 16 April 2019 appointed a Board of Directors composed of 8 members. A single list was presented during the Meeting by the Company's shareholders. The list presented by the shareholder TTC S.r.l. indicated the following candidates in order: Ambrogio Caccia Dominioni, Gianluca Bolelli, Lucia Caccia Dominioni, Caterina Caccia Dominioni, Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino and Guido Luigi Traversa. As this was the only list presented and it obtained a unanimous vote in favour from the persons present at the Meeting, pursuant to article 14 of the Articles of Association, all of the directors to be elected were consequently taken from this list.

Between the date of the Meeting on 16 April 2019 and the Date of the Report, there were no changes to the composition of the Board of Directors. The Company's Board of Directors, therefore, is presently composed of 8 members: one executive Directors, Ambrogio Caccia Dominioni; 3 non-executive Directors, Caterina Caccia Dominioni, Lucia Caccia Dominioni and Gianluca Bolelli; and 4 independent Directors, Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino and Guido Luigi Traversa.

The current Board of Directors will remain in office until the approval of the financial statements ended 31 December 2021.

In compliance with the provisions of Article 2 of the Self-Regulatory Code of Conduct, the presence of a high number of non-executive directors within the administrative body, as well as the authority and powers that characterise them, ensure that their judgement has a significant impact on the Board's decisions. The presence of 7 non-executive directors, 4 independent in the persons of Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino and Guido Luigi Traversa (this also in compliance with the provision of Article 147-ter, third paragraph, of the Consolidated Law on Finance (T.U.F.)), has the objective of achieving the greatest possible "good governance" which is implemented through debate and dialogue among all of the directors.

Information on the personal and professional characteristics of each member of the Board of Directors is indicated below.

Ambrogio Caccia Dominioni, born in Morbegno (Sondrio) on 27 August 1946, obtained a degree in Economics and Business from Sacred Heart Catholic University, Milan, in 1970. From 1971 to 1979 he worked for Andersen Consulting S.p.A., as Finance – Leasing Industry manager, while in 1980 he started business in the family group, which over time went from being a single company with the name of "M.T.S. Officine Meccaniche di Precisione S.p.A." to an international group with diversified activities in various sectors and countries. He is currently Chairman and Chief Executive Officer of Tesmec and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Gianluca Bolelli, born in Castel Maggiore (Bologna) on 18 September 1959, graduated from the Università Commerciale "Luigi Bocconi" of Milan with a degree in Business Administration in 1983. He has been registered on the roll of accountants since 1985, of auditors since 1995 and of freelance journalists since 1994. In the academic years 1990 to 1993 he was "Teaching fellow" at the Catholic University Faculty of Economics and Business for the Corporate Economics course. He is an external lecturer of the Scuola di Direzione Aziendale (Business Management School) of Bocconi University, lecturer during conventions and courses on tax, company and governance matters. He is co-author of publications and articles on tax, contractual and company matters. In 1984-1985, he worked as an auditor for Deloitte Haskins Sells (subsequently Deloitte & Touche S.p.A) and in 1985-1986 as a consultant for

KPMG S.p.A. In March 1986 he practised as a professional accountant and in 1989 he co-founded Studio Bolelli, Sportelli, de Pietri-Tonelli. He is currently Vice Chairman of Tesmec and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Lucia Caccia Dominioni, born in Milan on 23 February 1977, obtained a degree in Literature and Philosophy from Milan State University in 2001. After her degree she worked for Inferentia DNM in Human Resources until 2002. After experience with Daniel Contractors (Manchester, UK) she managed commercial relations with Germany for Reggiani Macchine S.p.A. from Bergamo and, from 2003 to 2005, from Berlin. In 2009, she was involved in the external communication campaign during the process that led to the listing on the Stock Exchange of Tesmec in July 2010. She has dealt with press office communications and management for Reggiani Macchine since 2009. She is currently Director of Tesmec and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 30 April 2013.

Caterina Caccia Dominioni, born in Morbegno (Sondrio) on 18 August 1979, obtained a degree in Law from Sacred Heart Catholic University, Milan, in 2003. She has been registered on the Milan roll of lawyers since 2007. She practised professionally from 2004 to 2007 with the law firm Baldoli – Caccia Dominioni, from 2007 to October 2008 with the law firm Frau, Ruffino, Verna and since 2008 has carried out legal consultancy activities for the Issuer and for Reggiani Macchine S.p.A. She is currently Director of Tesmec and was appointed to the Company's Board of Directors for the first time (after listing of the Company) on 23 February 2010.

Paola Durante, born in Montebelluna (TV) on 4 December 1969, obtained a degree in Economics and Business from Sacred Heart Catholic University specialising in Applied Economics. In 1995 she joined the team of financial analysts at S&P Market Scope, London, with responsibility for the Italian market. Returning to Italy, from 1997 to 1999 she followed the luxury goods sector as an equity research analyst for CAI-Cheuvreux, before joining the team of analysts in the luxury goods sector at Merrill Lynch (now Bank of America Merrill Lynch) as Vice President responsible for Southern Europe. In 2005 she moved to the Investment Banking team of Bank of America Merrill Lynch until becoming Managing Director. As an analyst initially, and then as an investment banker, she has followed among things the major IPO transactions in the luxury goods sector, including Tod's, Burberry, Geox, Safilo, Poltrona Frau, Aeffe and Damiani. In July 2013, she joined Moncler as Head of Investor Relations and Strategic Planning, monitoring its listing process. She is currently director of Tesmec and was appointed to the Company's Board of Directors for the first time on 29 April 2016. Since April 2018 she has been Independent Director of the Board of Directors of Banca Mediolanum.

Simone Andrea Crolla, born in Premosello Chiovenda (NO) on 21 August 1972, graduated in Politics at Università Statale of Milan. In 2000, he participated in a postgraduate course in International Law at the University of Helsinki. In 1997, he held a 4-month internship in the Office of the UN Secretary General's Spokesman in New York. From October 2003 to May 2006, he held the position of Deputy Head of Cabinet of the Prime Minister at Palazzo Chigi (Rome). He assisted the Prime Minister in all current government affairs involving other institutions, Italian and foreign investors and members of the business community. He accompanied the Prime Minister on various institutional missions abroad, such as the historic visit to the US Congress, and at European summits. Moreover, the U.S. Department of State selected him as the only Italian participant in the "International Visitor Leadership Program" in 2004, involving him in an experience developed in several American cities. Since April 2009, he has been Managing Director of the American Chamber of Commerce in Italy ("AmCham"). Founded in 1915, AmCham is a non-profit organisation, which aims to facilitate the development of economic and political relations between the United States and Italy. He was a Member of the Italian Republic from February 2012 to March 2013, member of the Foreign Affairs Commission, where he served as Chairman subcommittee on Foreign Affairs "Italians in the World". As a Member of Parliament, he presented a draft law on the "Honour Loan", with the intention of fostering higher education opportunities for young Italian talents. He was Senior Vice Chairman of Weber Shandwick - one of the world's largest public relations consulting firms - for Public Affairs practice from January 2007 to December 2015. Since 2015, he has been Senior Advisor of Lincoln International, a global investment bank focused on the mid-market sector, specialised in M&A, debt advisory, capital raising and restructuring, and a member of the Advisory Board of Banca Prossima, a bank of the Intesa Sanpaolo Group dedicated exclusively to the non-profit world, designed to better meet the needs and requirements of companies in the third sector. Since November 2018, he has been leading the Advisory Board in Italy of the Veneranda Fabbrica del Duomo di Milano, with the task of developing fundraising strategies and supporting President Fedele Confalonieri in the development of promotional strategies for the Cathedral of Milan. He is also a member of the Board of Directors of the American Foundation (501 (c)3) of the International Patrons of Duomo di Milano. Since that same year, he has been acting as advisor to the main shareholders of Walgreens Boots Alliance, Stefano Pessina and Ornella Barra, on issues concerning institutional

relations and business development, supporting the Group's Italian development both from an institutional and strategic point of view. Since April 2019, he has been a member of the Board of Directors of Tesmec as independent Director and Chairman of the Remuneration and Appointments Committee. Since January 2020, he has been the majority shareholder and Vice Chairman of Synergo SGR S.p.A., an asset management company with the objective of launching two new funds: the first of Private Equity focused on Italian companies with investment projects dedicated to the American market, the second of Venture Capital, aimed at supporting the growth of start-ups and innovative SMEs.

Emanuela Teresa Basso Petrino, born in Cuneo (CN) on 24 September 1974, is a lawyer with extensive experience in corporate finance, restructuring and real estate finance. She worked for international law firms Clifford Chance and Latham & Watkins, where he advised Italian and international companies and private equity funds on a wide range of transactions for over fifteen years. She is currently CEO of the Theodora Onlus Foundation, an international non-profit organisation founded twenty-six years ago in Switzerland and currently operating in eight countries around the world, treating the emotions and healthy side of children in hospital. Since April 2019, she has also been a member of the Board of Directors of Tesmec as independent director.

Guido Luigi Traversa, born in Cremona on 7 October 1949, graduated in Electronic Engineering at the University of Pavia in 1973. From 1975 to 1988, he held various positions at Tecnomasio Italiano Brown Boveri S.p.A. (now ABB), becoming manager in 1984. From 1988 until 1993, he held the position of General Manager of the Technical Division and was a member of the Board of Directors of the Company AEG Italiana S.p.A. Subsequently, he was General Manager and member of the Board of Directors of ABB ADDA S.p.A. until 1997. From the following year and until the year 2000 with the position of General Manager and member of the Board of Directors, he worked in ABB SACE TMS S.p.A. He served as Worldwide Head of the PPMV Business Area and member of the Board of the "Power Products" Division and Group Management Committee from 2001 to June 2007 at ABB Power Technology Ltd. At the end of June 2007, he left the ABB group to return to Italy, after some consultancies (MIDA Brokers-Milan - in the field of risk management of the customer companies - Psicosport-Milan - outdoor training and training of managers of major companies), he founded in 2008 the international group ILB Helios and the Italian group ELVI where he has been holding for 8 years the position of Chief Executive Officer and of which he still is today Managing Director and shareholder. From 2014 to the end of 2018, he also served as Chairman of Alpiq Italia S.r.l. and Alpiq Energia Italia S.p.A. until 2016 (then Vice Chairman until the end of 2018). He was director of the Emmeti S.p.A. group from 2014 to 2016. In April 2019, he was appointed independent director of Tesmec; finally, he is still a shareholder and member of the Board of Directors of Agrisolar S.r.l.

For further information on the composition of the Board of Directors of the Company, see Table 2 indicated in the annex.

### **Diversity criteria and policies**

The Issuer applied diversity criteria, including gender, in the composition of the Board of Directors, in compliance with the priority objective of ensuring adequate competence and professionalism of its members. In particular, at least one third of the Board of Directors is made up of directors of the less represented gender.

On 1 March 2018, the Board of Directors of the Company approved its policy on diversity relating to the formation of the administration and control bodies as to aspects such as age, make-up of gender and the training and professional path (the “**Diversity Policy**”).

Particularly pursuant to the content of the Diversity Policy:

- with reference to the size of the Board of Directors, it was decided that the current number of Board of Directors members - eight - provides an adequate balance of the skills and experience demanded by the complexity of the Company and Group, also within the board Committees;
- as concerns the professionalism requirements, the Diversity Policy refers to the recommendations of the Corporate Governance Code, pursuant to which (i) at least one member should have adequate knowledge and experience in finance or remuneration policies and (ii) at least one member should have adequate experience in accounting and finance or risk management. The simultaneous presence of different skills and experience complementary to each other fosters dialectics and efficient operation of the Board;

- with reference to the age and seniority of office, the Diversity Policy requires that there be people of different ages, generations and seniority of office on the Board of Directors so that the creation of a proper balance between experience, continuity, innovation and risk appetite is encouraged;
- as regards representation of gender, the Diversity Policy states that adequate representation of both sexes be ensured on the Board of Directors. More specifically, in line with what is required by legislation in force at the date of their approval and by the Articles of Association, the Board of Directors must be formed by at least one-third (rounded up) people belonging to the “least represented” gender that, based on past experience, usually coincides with the female gender;
- with regard to geographical origin and international experience, and considering the strong presence of Tesmec in Italy, it does not at this time believe the presence of Directors with different geographical origins necessary, although this is certainly an element of positive assessment. The presence of Directors with training and professional experience gained in international settings is on the other hand recommended as it contributes toward further increasing the quality of board dialectics, also in consideration of the Group’s international presence.

On 16 April 2019, the Board of Directors was appointed taking into account the provisions of the Diversity Policy adopted by the Company and the guideline that the outgoing Board of Directors expressed on 5 March 2019 based on the opinion and recommendations made by the Remuneration and Appointments Committee on the same date on the composition of the new Board of Directors. In particular, this guideline expresses the hope that the Shareholders, in presenting the lists, maintain a similar level of quality of the Board in terms of skills and experience represented, taking into account the gender characteristics of the candidates, and highlighting, if necessary, the opportunity for the Shareholders to assess, with the intention of further enriching the Board with personality/professionalism and knowledge, the possible inclusion of figures who have gained management experience in listed companies or companies similar in size, complexity, internationality and/or business affinity to the Company; furthermore, with regard to the identification of independent directors, a stricter application of the independence criteria was also hoped for, given that the Corporate Governance Committee invited the board of directors to apply more rigorously the independence criteria defined by the Self-Regulatory Code of Conduct, since both their non-application and substantive application - whose subject matter is, more frequently, the criterion of the ultra-nine-year term of office - , given the importance of the independent directors in the process of forming the Board's will in matters of particular importance and delicacy, could significantly affect the efficiency and adequacy of the governance systems.

With regard to diversity, note that on 1 January 2020 the provisions of Italian Law no. 160 of 27 December 2019 ("2020 Budget Law") came into force, amending Articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the Consolidated Law on Finance (T.U.F.), introduced by Italian Law no. 120 of 12 July 2011 (known as "Gulf-Moscow Law"), on the subject of gender balance in the corporate bodies of companies with listed shares. The 2020 Budget Law envisaged that the management and control bodies of listed companies reserve "at least two fifths" of the members (instead of one third) to the less represented gender and established that this distribution criterion applies for "six subsequent mandates" (instead of three). Therefore, as part of the next renewal of the company bodies, lists will have to be drawn up and their members elected in accordance with the relevant provisions of the 2020 Budget Law and CONSOB regulations, as well as the diversity policy that will consequently be adopted by the Company.

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

The Board of Directors decided not to define general principles on the maximum number of administration and control offices in other companies that can be considered compatible with an efficient performance of the role of director of the Company, because, in view of the current structure of the Board of Directors of the Company considered and the positions held by its members in other companies, it was considered that the number and quality of positions held do not interfere and are therefore compatible with an effective performance of the office of director of the Company.

### ***Induction Programme***

The Board of Directors has adequate knowledge of the business sector in which the Issuer operates, of business dynamics and its development, since adequate information is given at each meeting to the Board on the development

of the corporate business and the regulatory environment by both the Chairman and the General Manager, who has twenty years of experience in the industry and is often invited to participate in the Board meetings.

During Board meetings the Board is constantly updated regarding the company dynamics and the performance of corporate affairs as well as the main changes in the regulatory and regulatory framework for the company and the operating sector.

#### **4.3 Role of the board of directors (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F))**

During the Financial Period, the Board of Directors met 11 times. The percentage of participation in the meetings by the current members of the Board of Directors was the following: Ambrogio Caccia Dominioni 100%; Caterina Caccia Dominioni 100%; Lucia Caccia Dominioni 100%; Gianluca Bolelli 100%; Simone Andrea Crolla 54%; Paola Durante 73%; Guido Luigi Traversa 73% and Emanuela Teresa Basso Petrino 73%.

The Board meetings had an average duration of 2 hours.

On the occasion of all the Board meetings, the members of the Board, in compliance with the provisions of Article 1.C.5. of the Self-Regulatory Code of Conduct, were provided by email in reasonable advance (usually an average of four-days prior notice), with the documents and information necessary to enable them to express an informed opinion on matters under their consideration.

For the 2020 financial period, in addition to the meeting of 13 March, the calendar of company events announced pursuant to Article 2.6.2. of the Stock-Exchange Regulations contemplates 3 meetings on the following dates: 5 May, 5 August and 30 October 2020.

The company notified the calendar of the meetings of the Board of Directors for the 2020 financial period by posting it on its website: [www.tesmec.com](http://www.tesmec.com).

Board meetings are convened by the Chairman or, in case of absence or impediment, by the Vice Chairman, in the manner and within the time lines laid down by the Articles of Association. The Chairman coordinates the meetings of the Board of Directors and makes sure that adequate information regarding the matters on the agenda is provided to all of the Directors. The Board of Directors is convened at the company's headquarters or elsewhere in Italy, whenever deemed necessary by the Chairman or, in case of absence or impediment by the Vice Chairman, or whenever requested in writing by at least one third of the directors or by the Board of Statutory Auditors, or even individually, by each Board member as provided for by applicable law provisions. The meetings of the Board of Directors may be also be held by audio- or video-conference, in compliance with the conditions set out in the Articles of Association. Even if meetings are not called in the manner and within the timelines provided for in the Articles of Association, they are deemed valid provided that all Directors in office and Statutory Auditors in office take part. The meetings of the Board of Directors are chaired by the Chairman, or in case of absence or impediment, by the Vice Chairman, or in case of absence or impediment by the Chief Executive Officer, or in case of absence or impediment, by the oldest Director. In the event of absence or impediment of the Secretary, the Board appoints the member who must take his/her place. For resolutions of the Board of Directors to be valid, the presence of the majority of members in office is required. Decisions are approved by a majority of those voting; abstaining directors are excluded from the calculation. In the event of equal votes, the vote of the person chairing the meeting prevails. Voting shall take place by open vote. The minutes of the Board meetings are drawn up by the Secretary or by a specifically appointed Notary, and recorded in a specific book, in accordance with the law.

Where necessary or at request of the Chairman or of one or several directors, persons external to the Board of Directors may take part in the meetings of the Board of Directors, especially executives with strategic responsibilities, business function managers or legal consultants for providing appropriate supplemental information on the matters on the agenda.

Pursuant to Article 19 of the Articles of Association, the Board of Directors is vested with all the powers for the management of the Company and to this end it can decide or carry out all acts held to be necessary or useful in order to implement the business purpose, with the exception of powers that are, by law and by the Articles of Association, reserved to the Shareholders' Meeting.

The Board of Directors may also pass, in compliance with Article 2436 of the Italian Civil Code, without prejudice to the limits of the law, the resolutions concerning (a) merger and demerger in the cases provided for in Articles 2505, 2505-bis and 2506-ter, last paragraph, Italian Civil Code, (b) opening and closing of secondary offices, (c) transfer of the registered office in the national territory, (d) indication of the Directors who have the legal

representation of the company (e) reduction of share capital following withdrawal by a shareholder, (f) adjustments of the Articles of Association to regulatory provisions; without prejudice to the fact that said resolutions may be in any case also passed by the Extraordinary Shareholders' Meeting.

The Board of Directors has:

- set up an internal Remuneration and Appointments Committee (see paragraph 7 of this Report) and an internal Control and Risk Committee (see paragraph 9 of this Report). Each Committee operates on the basis of an internal regulation that establishes the operating rules of the committee itself;
- approved a Procedure for Related Party Transactions (see paragraph 11) and assigned to the Control and Risk Committee the duties of the Committee for Related Party Transactions;
- established the business functions of Head of Internal Control and investor relations and subsequently appointed the persons in charge of such functions (see paragraphs 10.2 and 14 of this Report);
- adopted a procedure for the processing of confidential information (see paragraph 5 of this Report);
- approved the internal dealing code (see paragraph 5 of this Report);
- established an Organisation, Management and Control Model pursuant to Decree 231 (see paragraph 10.3 of this Report);
- set up a Supervisory Body (see paragraph 10.3 of this Report); and
- approved the Code of Ethics that is an integral part of the Organisation, Management and Control Model pursuant to Decree 231.

As regards the functions of the Board of Directors, the Company has a Board of Directors that, as provided by Article 19 of the Articles of Association, is vested with the broadest powers for the management of the Company, and every other competence reserved by law or the Articles of Association to the Board itself. Therefore, it has the power to carry out all acts, of disposal or otherwise, it deems necessary or useful for the achievement of the corporate purpose, excluding only those that the law specifically reserves to the Shareholders' Meeting.

In particular, the Board of Directors, by well-established company practice:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group, defines the corporate governance system of the Company and the Group structure;
- defines the nature and level of risk consistent with the Company's strategic objectives;
- evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of its subsidiaries with strategic importance prepared by the Chief Executive Officer, with a special reference to the internal control system and to the management of conflicts of interest;
- establishes the frequency, as a rule no less than once every three months with which the delegated bodies must report to the Board of Directors on the activities performed in the exercise of the powers delegated to them and on the most significant management decisions.
- evaluates the overall management performance, taking into account, in particular, the information received by the delegated bodies, as well as comparing the results achieved with the programmed results on a regular basis; and
- examines and approves previously the transactions of the Company and of its subsidiaries, when these transactions are significant from a strategic, economic, equity or financial point of view for the Company.

On 13 March 2020, the Board of Directors, also in consideration of what reported by the Chairman of the Control and Risk Committee, as well as of the assessments provided by the Director in charge of internal control and by the Chairman of the Board of Statutory Auditors, evaluated positively the adequacy of the general organisational, administrative and accounting structure of the Company and the Group it belongs to (here included the Subsidiaries having strategic relevance) also with reference to the internal control and risk management system. In this respect, in the meeting of 13 March 2020, the Board of Directors identified Tesmec USA, Inc. and Tesmec Australia, as "subsidiaries having strategic relevance", taking into account the level of turnover, the level of capitalisation and the industrial and commercial peculiarities of the Group's companies. No other "subsidiaries with strategic relevance" have been identified as at the Date of the Report.

Again on 13 March 2020, the Board of Directors also assessed overall management performance by taking into account especially the information received from the delegated bodies and comparing the results achieved with the programmed results, on a regular basis.

During this assessment, the Board did not consider it necessary to define, on a formal basis, general criteria to help identify operations having significant strategic, economic, equity or financial relevance for the Issuer, since the Company's consolidated practice is to consider as such not only the operations that given their value are not included in the limits of the powers assigned to the delegated directors, but also other operations that although included in the limits of the powers assigned to the delegated directors given their value, take on strategic relevance, on commercial, industrial or financial grounds, for the purposes of the Company's business.

The Board of Directors – within the limits of the law and of the Articles of Association – delegates part of its powers and functions to a Chief Executive Officer and can also appoint an Executive Committee by delegating its powers and functions. It can also delegate, within the same limits, the aforesaid powers and functions, with reference to certain functions or sectors, to one or more Directors other than the Chief Executive Officer.

Moreover, the Board of Directors can also set up one or more committees with consultancy, proposal and control functions in compliance with the applicable laws and regulatory provisions in force. The Board of Directors has the right to appoint one or more General Managers.

Pursuant to Article 21 of the Articles of Association, the Chairman of the Board of Directors and, in case of his absence or impediment, even if temporary, the Vice Chairman represents the company towards third parties and before the court and has corporate signature powers; the Chief Executive Officer or the other Directors with proxies are vested as above, within the limits of the delegated powers.

In compliance with the above, on 16 April 2019, the Board decided to appoint Ambrogio Caccia Dominioni Chief Executive Officer of the Company, assigning to the latter the legal representation of the Company and the separate signature powers specifically indicated in paragraph 4.4, specifying that the Chief Executive Officer is entrusted with the task of overseeing all business sectors, and of observing and enforcing the regulations in force.

During the same meeting, the Board of Directors appointed Dr Gianluca Bolelli Vice Chairman of the Board of Directors, granting him the powers set forth in Article 21 of the Articles of Association and specifically, in case of absence or impediment, even if temporary, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as corporate signature powers.

On the same date, the Board of Directors granted Gianluca Bolelli, in case of absence or impediment of the Chairman and only in the cases of emergency, the powers indicated in the following paragraph 4.5.

The Board of Directors, after requesting each Director to fill in a specific questionnaire, independently considered on 13 March 2020 that the size, composition and operation of the Board and its committees were adequate pursuant to the 1.C.1. Application Principle of the Self-Regulatory Code of Conduct, taking also into account aspects such as professional characteristics, experience also in management, gender of members and seniority, also in relation to the criteria of diversity applied by the Company.

#### **4.4 Delegated bodies**

##### **Chairman and Chief Executive Officer**

On 16 April 2019, the Board of Directors decided, among other things, to appoint Ambrogio Caccia Dominioni Chairman and Chief Executive Officer, assigning to the latter, for all the period of his office, the legal representation of the Company, the following powers with separate signature, by specifying that the Chief Executive Officer is entrusted with the task of overseeing all business sectors, and of observing and enforcing the regulations in force:

1. assigning to the Chairman and Chief Executive Officer the responsibility for developing business strategies, presenting them to the Board of Directors for their approval and for the definition of their methods of implementation;
2. implementing the business strategies and the Group's strategies, within the guidelines established by the Board, by exercising the functions of directing, stimulating and coordinating all the departments of the Company and its subsidiaries;

3. ensuring achievement of the Company's economic objectives by exercising for this purpose all the powers of ordinary administration, with no exceptions, within any of the limits defined below, in line with the strategies and guidelines approved by the Board;
4. implementing all acts of extraordinary administration approved by the Board;
5. within the guidelines laid down by the Board, coordinating the relations with other Group companies by taking decisions relating to their management and programming policy in order to give effect to the coordination process within the Group;
6. preparing and proposing to the Board any steps deemed useful to the interests of the Company and the Group;
7. preparing the budget forecast and strategic and operational plans relating to the activities of the Company and the Group to which it belongs, for approval by the Board of Directors; providing guidance for the preparation of the financial statements, including the consolidated and interim reports of the Company, and preparing the consolidated financial statements and interim reports to be submitted to the Board of Directors for approval to the extent of its competence;
8. negotiating and entering into contracts for the Company's ordinary administration for a total amount no higher than Euro 10,000,000 per contract which – simply by way of example – may relate to the sale of products, services, goods and equipment in general related to the core business of the Company and its subsidiaries, including contracts and agreements with public administrations and bodies as well as participation in national and international tenders or offerings;
9. representing the company in the participation in tenders and offerings, whether public or private, national or international, with the power to sign offers up to the total amount of Euro 20,000,000 and, if awarded, the related supply contracts;
10. negotiating and entering into contracts for the Company's ordinary administration for a total amount no higher than Euro 5,000,000 per contract which – simple by way of example – may relate to the purchase of products, services, goods and equipment associated with the core business of the Company and its subsidiaries;
11. negotiating and entering into contracts for the purchase of fixed assets – simply by way of example – machinery and equipment for business production processes, furniture, security systems and generic systems relating to the premises where the company carries out its activities, computer equipment and in general assets with multi-year useful life for the Company, for a total amount no higher than Euro 5,000,000 per contract;
12. assigning professional and consulting tasks in relation to specific needs related to corporate activities for an amount no higher than Euro 600,000 on an annual basis per consultant;
13. collecting any amount due to the Company by any entity, business or person and issue receipts;
14. performing all the acts and transactions relating to the Company's ordinary administration before public administrations, the independent authority for the administration of state monopolies and public authorities and offices, except for the acts and transactions relating to the obtainment of new concessions; providing for all respective formalities including those associated with legislation on manufacturing and consumption tax and on revenue and monopoly duties;
15. receiving letters, packages and parcels (whether ordinary, registered or insured) from post offices, shipping companies and airlines, and any other transport companies, collecting postal and telegraphic money orders, bills, cheques of any kind and of any amount; requesting and receiving sums, securities, valuables, commodities and documents, and signing the relevant receipts, releases and exonerations from liability, with any government, department, institution, office and public or private savings institution;
16. requesting and endorsing cheques, drafts and bills of exchange exclusively for the collection, discount and payment into the accounts of the Company and protesting them;
17. receiving, setting up and releasing deposits also as security, granting and removing constraints of any kind up to Euro 5,000,000.00 each;
18. opening bank and/or postal accounts, giving instructions for payments, either by bank transfer or by cheque, performing debit and credit transactions on the Company's current accounts at banks and post offices, including overdrawn accounts, always in the interest of the Company, and issuing and requesting the issue of bank cheques and drafts;

19. performing all financial transactions and banking credit and debit transactions necessary for the ordinary management of the Company and its subsidiaries within the limits of the powers delegated, requesting mixed credit lines for endorsement and for cash up to Euro 20,000,000 for each line, in any case to the extent permitted by the Company and Group loans existing on that date, entering into new guarantees against such credit lines, or supplementing existing guarantees, up to a maximum of Euro 10,000,000 per single guarantee;
20. entering into agreements for disbursement to the Company, from banks and credit institutions, of mortgages, loans and opening of credit lines with the exception of self-liquidating lines, for a total amount no higher than Euro 5,000,000 and the issue, by banks and insurance companies, of sureties and guarantees covering social obligations, as required, with the power to negotiate and agree on the duration, terms and conditions of the individual transactions, signing the relevant documents and agreements and making any relevant statement deemed necessary, useful or appropriate, in any case for amounts no higher than Euro 10,000,000;
21. providing surety on behalf of the Company, as collateral for loans and/or credit facilities granted by banks to subsidiaries, in any case for amounts no higher than Euro 7,500,000;
22. accepting collateral and/or sureties, including the acceptance, establishment, registration and renewal of mortgages and liens by debtors and third parties and to the benefit of the Company, agreeing to the cancellation and registration of mortgages by debtors or third parties and to the benefit of the Company in order to discharge or reduce the obligation;
23. representing the Company before the patent and trademark offices, filing and submitting patent applications for trademarks, industrial inventions, models and designs with the Italian patent office, with the corresponding offices of each foreign country and with all the EU and international bodies, institutions and organisations operating in the industrial property sector;
24. establishing and withdrawing actions before any ordinary and administrative judicial authority, including any judiciary, and therefore also the Supreme Court of Cassation, the Court of Auditors, the Council of State and the constitutional court, appointing lawyers and attorneys; settling any defendant disputes in or out of court whose overall value, referring to each original claim or to the value of each transaction, is no higher than Euro 5,000,000; settling any plaintiff disputes in or out of court; submitting disputes to arbitration, including amicable settlements and without procedural formalities, and appointing arbitrators, lawyers and attorneys, including granting general powers for legal proceedings;
25. appearing before any civil, administrative, criminal or tax judicial authority for lawsuits and/or disputes and for controversies, both of an individual and collective labour nature or relating to social security and mandatory assistance for all the requirements laid down in Italian Laws no. 300 of 20 May 1970 and no. 533 of 11 August 1973, as subsequently amended and supplemented;
26. exercising the right to bring and join civil actions, and filing petitions and complaints;
27. making garnishee's statements;
28. subscribing, signing and submitting all documents, certificates and declarations of an administrative or tax nature addressed to public bodies and administrations, such as, only by way of example, income statements and tax statements, even on a consolidated basis;
29. appointing and dismissing representatives, agents or commission agents, establishing and modifying their rights and obligations;
30. managing the Company's equity investments in entities and legal persons, even foreign, by exercising all related rights and taking all related decisions and by representing the Company in the related shareholders meetings and exercising all rights, including voting rights also with regard to the appointment of the corporate offices, with the exclusion of appointment of corporate offices in companies subject to the Company's management and coordination and whose turnover represents more than 30% of the consolidated turnover of the Tesmec Group;
31. subscribing and paying capital increases in the companies and the entities, even foreign, controlled by the Company for a maximum unit amount of Euro 2,500,000.00 and for overall Euro 5,000,000.00 per financial year;

32. obtaining and underwriting loans by companies and entities, even foreign, controlled by the Company, reporting such matter to the Board of Directors if the unit amount is higher than Euro 20,000,000, always within the limits allowed by the Company and the Tesmec Group loans existing as at that date;
33. defining and appointing the most appropriate organisational structure for achieving the business objectives, and the responsibilities and powers of the staff departments in charge of the unified management of the Company and its subsidiaries, as well as the responsibilities of the operational departments of the different business sectors of the Company and the subsidiaries that report to it, by defining also their organisational structure in line with any limits set by the Board of Directors and in any case with the obligation to report to the Board of Directors in relation to the implementation of the above at the first subsequent meeting;
34. concluding, amending and terminating individual contracts of employment in accordance with the Company's annual budget and multi-year plan approved by the Board of Directors, with a limit of individual fixed remuneration of Euro 300,000 gross with regard to the hiring of executives and an individual cost of Euro 600,000 per year for the termination of the individual employment contracts of executives;
35. adopting any additional measures, including disciplinary action, in respect of Company staff;
36. represent the company in all dealings with the trade union organisations of both employees and providers of labour and sign agreements with them in the name and on behalf of the Company up to a maximum value of Euro 5,000,000 for each agreement; attempt conciliation, make settlements and sign the minutes relating to settlements up to a maximum value of Euro 500,000 per single settlement;
37. representing the company in respect of insurance and social security entities;
38. signing on behalf of the Company the periodical statements submitted to social security and welfare bodies/institutions relating to the payment of the contributions due for employees and non-employees;
39. issuing on behalf of the Company extracts from payrolls and certificates regarding staff both to public administrative and other bodies and to private organisations, ensuring compliance with the Company's obligations as a withholding agent, with the option, among other things, of signing, for the purposes of such obligations, declarations, attestations and any other document or certificate, including those mentioned in arts. 1 and 7 of Italian Presidential Decree no. 600 of 29 September 1973 and subsequent amendments and addenda; issuing to banks that grant loans to the Company's staff declarations attesting to the commitment to deduct from the sums paid to those staff and pay to the banks the amounts of the repayment instalments and/or residual debt;
40. granting, on behalf of the Company, severance indemnity advances and loans to employees for amounts no higher than the amount set aside by way of severance indemnity in relation to the beneficiary employee;
41. within the scope of the general guidelines established by the Board of Directors and in line with the provisions of the Company's annual budget and strategic plans, managing effectively the activities pertaining to the external relations and to the communication and image activities of the Company and its subsidiaries, as well as the institutional relations with public administrations, bodies and institutions, consortia even of a temporary nature, and public and private associations, as well as their members, partners and associates, including, in particular, relations with the Ministry of Economy and Finance, with the independent authority for the administration of state monopolies, with Borsa Italiana S.p.A. and with CONSOB;
42. within the limits of the powers delegated by the Board of Directors, being replaced by attorneys for specific acts or groups of acts and for whatever else needed for the good performance of the Company, and granting and revoking powers and proxies, even to employees of the Company or of its subsidiaries.

The Chairman, Ambrogio Caccia Dominioni, is the person who is chiefly responsible for managing the Issuer (chief executive officer). The reason for assigning operational proxies to the Chairman of the Board of Directors lies in the fact that Ambrogio Caccia Dominioni is one of the key figures who has contributed significantly to the development of the Group and, having years of experience in the field of operations of the Group, the fact that Ambrogio Caccia Dominioni is operational and has an important role in the management of the Company and the Group, represents an important resource for the Group.

Ambrogio Caccia Dominioni does not hold the office of director in any other issuer (not belonging to the same group) of which a director of the Issuer is Chief Executive Officer.

During the same meeting of 16 April 2019, the Board of Directors also appointed Gianluca Bolelli Vice Chairman of the Board of Directors, granting him the powers under Article 21 of the Articles of Association and specifically, in case of absence or impediment, even of a temporary nature, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as corporate signature pursuant to Article 21 of the Articles of Association and the further powers indicated in paragraph 4.5.

### **Executive Committee**

The Company did not deem it necessary to set up an Executive Committee.

### **Reporting to the Board**

Pursuant to Article 19 of the Articles of Association, the delegated bodies must report promptly to the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, during the board meetings, on the activity carried on, on the overall operating performance and outlook, and on transactions of most significance, either due to their size or nature, carried out by the Company and its subsidiaries.

The Directors report to the Board of Auditors on the business carried on and on the major economic, financial and equity transactions performed by the company or by the subsidiaries; specifically, they report on the transactions in which one or more Directors have an interest, on their own or on behalf of a third party, or those influenced by the subject that exercises management and co-ordination activities. Reporting is done as a rule on the occasion of board meetings and in any case at least quarterly: when appropriate as a result of special circumstances it may also be done in writing to the Chairman of the Board of Statutory Auditors.

### **4.5 Other executive directors**

Besides the Chairman and Chief Executive Officer, Ambrogio Caccia Dominioni, currently there are no other executive directors.

On 16 April 2019, the Board of Directors granted Gianluca Bolelli, in the capacity of Vice Chairman of the Board of Directors, the powers set forth in Article 21 of the Articles of Association and specifically, in case of absence or impediment, even of a temporary nature, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as corporate signature pursuant to Article 21 of the Articles of Association.

On the same date, the Board of Directors furthermore resolved to confer on the Vice Chairman Dr Gianluca Bolelli, solely in the event of absence or impediment of the Chairman, the following powers:

1. negotiating and entering into contracts for the Company's ordinary administration for a total amount no higher than Euro 10,000,000 per contract which – simply by way of example – may relate to the sale of products, services, goods and equipment in general related to the core business of the Company and its subsidiaries, including contracts and agreements with public administrations and bodies as well as participation in national and international tenders or offerings;
2. representing the company in the participation in tenders and offerings, whether public or private, national or international, with the power to sign offers up to the total amount of Euro 20,000,000 and, if awarded, the related supply contracts;
3. negotiating and entering into contracts for the company's ordinary administration for a total amount no higher than Euro 5,000,000 per contract which – simple by way of example – may relate to the purchase of products, services, goods and equipment associated with the core business of the Company and its subsidiaries;
4. negotiating and entering into contracts for the purchase of fixed assets – simply by way of example – machinery and equipment for business production processes, furniture, security systems and generic systems relating to the premises where the company carries out its activities, computer equipment and in general assets with multi-year useful life for the Company, for a total amount no higher than Euro 5,000,000 per contract;

5. assigning professional and consulting tasks in relation to specific needs related to corporate activities for an amount no higher than Euro 600,000 on an annual basis per consultant;
6. collecting any amount due to the Company by any entity, business or person and issue receipts;
7. performing all the acts and transactions relating to the Company's ordinary administration before public administrations, the independent authority for the administration of state monopolies and public authorities and offices, except for the acts and transactions relating to the obtainment of new concessions; providing for all respective formalities including those associated with legislation on manufacturing and consumption tax and on revenue and monopoly duties;
8. receiving letters, packages and parcels (whether ordinary, registered or insured) from post offices, shipping companies and airlines, and any other transport companies, collecting postal and telegraphic money orders, bills, cheques of any kind and of any amount; requesting and receiving sums, securities, valuables, commodities and documents, and signing the relevant receipts, releases and exonerations from liability, with any government, department, institution, office and public or private savings institution;
9. requesting and endorsing cheques, drafts and bills of exchange exclusively for the collection, discount and payment into the accounts of the Company and protesting them;
10. receiving, setting up and releasing deposits also as security, granting and removing constraints of any kind up to Euro 5,000,000 each;
11. opening bank and/or postal accounts, giving instructions for payments, either by bank transfer or by cheque, performing debit and credit transactions on the Company's current accounts at banks and post offices, including overdrawn accounts, always in the interest of the Company, and issuing and requesting the issue of bank cheques and drafts;
12. performing all financial transactions and banking credit and debit transactions necessary for the ordinary management of the Company and its subsidiaries within the limits of the powers delegated, requesting mixed credit lines for endorsement and for cash up to Euro 20,000,000 for each line, in any case to the extent permitted by the Company and Group loans existing on that date, entering into new guarantees against such credit lines, or supplementing existing guarantees, up to a maximum of Euro 10,000,000 per single guarantee;
13. entering into agreements for disbursement to the Company, from banks and credit institutions, of mortgages, loans and opening of credit lines with the exception of self-liquidating lines, for a total amount no higher than Euro 5,000,000 and the issue, by banks and insurance companies, of sureties and guarantees covering social obligations, as required, with the power to negotiate and agree on the duration, terms and conditions of the individual transactions, signing the relevant documents and agreements and making any relevant statement deemed necessary, useful or appropriate, in any case for amounts no higher than Euro 10,000,000;
14. providing surety on behalf of the Company, as collateral for loans and/or credit facilities granted by banks to subsidiaries, in any case for amounts no higher than Euro 7,500,000;
15. accepting collateral and/or sureties, including the acceptance, establishment, registration and renewal of mortgages and liens by debtors and third parties and to the benefit of the Company, agreeing to the cancellation and registration of mortgages by debtors or third parties and to the benefit of the Company in order to discharge or reduce the obligation;
16. representing the Company before the patent and trademark offices, filing and submitting patent applications for trademarks, industrial inventions, models and designs with the Italian patent office, with the corresponding offices of each foreign country and with all the EU and international bodies, institutions and organisations operating in the industrial property sector;
17. establishing and withdrawing actions before any ordinary and administrative judicial authority, including any judiciary, and therefore also the Supreme Court of Cassation, the Court of Auditors, the Council of State and the Constitutional Court, appointing lawyers and attorneys; settling any defendant disputes in or out of court whose overall value, referring to each original claim or to the value of each transaction, is no higher than Euro 5,000,000; settling any plaintiff disputes in or out of court; submitting disputes to arbitration, including amicable settlements and without procedural formalities, and appointing arbitrators, lawyers and attorneys, including granting general powers for legal proceedings;

18. appearing before any civil, administrative, criminal or tax judicial authority for lawsuits and/or disputes and for controversies, both of an individual and collective labour nature or relating to social security and mandatory assistance for all the requirements laid down in Italian Laws no. 300 of 20 May 1970 and no. 533 of 11 August 1973, as subsequently amended and supplemented;
19. exercising the right to bring and join civil actions, and filing petitions and complaints;
20. making garnishee's statements;
21. subscribing, signing and submitting all documents, certificates and declarations of an administrative or tax nature addressed to public bodies and administrations, such as, only by way of example, income statements and tax statements, even on a consolidated basis;
22. appointing and dismissing representatives, agents or commission agents, establishing and modifying their rights and obligations;
23. managing the Company's equity investments in entities and legal persons, even foreign, by exercising all related rights and taking all related decisions and by representing the Company in the related shareholders meetings and exercising all rights, including voting rights also with regard to the appointment of the corporate offices, with the exclusion of appointment of corporate offices in Companies subject to the Company's management and coordination and whose turnover represents more than 30% of the consolidated turnover of the Tesmec Group;
24. subscribing and paying capital increases in the companies and the entities, even foreign, controlled by the Company for a maximum unit amount of Euro 2,500,000 and for overall Euro 5,000,000 per financial year;
25. obtaining and underwriting loans by companies and entities, even foreign, controlled by the Company, reporting such matter to the Board of Directors if the unit amount is higher than Euro 20,000,000, always within the limits allowed by the Company and the Tesmec Group loans existing as at that date;
26. defining and appointing the most appropriate organisational structure for achieving the business objectives, and the responsibilities and powers of the staff departments in charge of the unified management of the Company and its subsidiaries, as well as the responsibilities of the operational departments of the different business sectors of the Company and the subsidiaries that report to it, by defining also their organisational structure in line with any limits set by the Board of Directors and in any case with the obligation to report to the Board of Directors in relation to the implementation of the above at the first subsequent meeting;
27. concluding, amending and terminating individual contracts of employment in accordance with the Company's annual budget and multi-year plan approved by the Board of Directors, with a limit of individual fixed remuneration of Euro 300,000 gross with regard to the hiring of executives and an individual cost of Euro 600,000 per year for the termination of the individual employment contracts of executives;
28. adopting any additional measures, including disciplinary action, in respect of Company staff;
29. represent the company in all dealings with the trade union organisations of both employees and providers of labour and sign agreements with them in the name and on behalf of the Company up to a maximum value of Euro 5,000,000 for each agreement; attempt conciliation, make settlements and sign the minutes relating to settlements up to a maximum value of Euro 500,000 per single settlement;
30. representing the company in respect of insurance and social security entities;
31. signing on behalf of the Company the periodical statements submitted to social security and welfare bodies/institutions relating to the payment of the contributions due for employees and non-employees;
32. issuing on behalf of the Company extracts from payrolls and certificates regarding staff both to public administrative and other bodies and to private organisations, ensuring compliance with the Company's obligations as a withholding agent, with the option, among other things, of signing, for the purposes of such obligations, declarations, attestations and any other document or certificate, including those mentioned in arts. 1 and 7 of Italian Presidential Decree no. 600 of 29 September 1973 and subsequent amendments and addenda; issuing to banks that grant loans to the Company's staff declarations attesting to the commitment to deduct from the sums paid to those staff and pay to the banks the amounts of the repayment instalments and/or residual debt;

33. granting, on behalf of the Company, severance indemnity advances and loans to employees for amounts no higher than the amount set aside by way of severance indemnity in relation to the beneficiary employee;
34. within the scope of the general guidelines established by the Board of Directors and in line with the provisions of the Company's annual budget and strategic plans, managing effectively the activities pertaining to the external relations and to the communication and image activities of the Company and its subsidiaries, as well as the institutional relations with public administrations, bodies and institutions, consortia even of a temporary nature, and public and private associations, as well as their members, partners and associates, including, in particular, relations with the Ministry of Economy and Finance, with the Independent Authority for the Administration of State Monopolies, with Borsa Italiana S.p.A. and with CONSOB;
35. within the limits of the powers delegated by the Board of Directors, being replaced by attorneys for specific acts or groups of acts and for whatever else needed for the good performance of the Company, and granting and revoking powers and proxies even to employees of the Company or of its subsidiaries.

#### **4.6 Independent directors**

On 13 March 2020, the Board of Directors verified the independence requirements of the Directors qualified as such, with reference to the principles established by the Self-Regulatory Code of Conduct and by the Consolidated Law.

With the approval of the Board of Statutory Auditors, the Board decided to assess positively the presence of such requirements of Directors Simone Andrea Crolla, Emanuela Teresa Basso Petrino, Paola Durante and Guido Luigi Traversa. On the same date, the Board of Statutory Auditors assessed positively the correct application of the criteria and procedures used by the Board to ascertain the independence of its members.

During the Financial Period, the Independent Directors met one time without the other Directors, upon invitation by the Lead Independent Director. During the meeting, the Independent Directors checked that the Company's activity complied with the Code, confirmed that the documentation drawn up for the Board of Directors was submitted within the deadlines requested by the Code, confirmed that during the Board meetings ample information was given on the performance of the Company, took note that the information flow addressed to them in relation to the Board meetings was complete and timely, and acknowledged that the Control and Risk Committee and the Remuneration and Appointments Committee had been involved in matters falling within their competence during the year.

#### **4.7 Lead independent director**

On 16 April 2019, since the conditions provided by the Code were met, i.e. if the Chairman was chiefly responsible for managing the Issuer (Chief Executive Officer), the Board appointed an Independent Director as lead independent director.

Director Paola Durante was called to this task. The lead independent director is a point of reference and coordination for the requests and suggestions of the non-executive and especially independent Directors. The lead independent director also cooperates with the Chairman of the Board of Directors in order to ensure that the Directors receive complete and timely information flows. He also has the power to convene, autonomously or at the request of other Directors, special meetings involving only the independent Directors to discuss issues considered of interest with respect to the operation of the Board of Directors or to corporate management. To this end, during the Financial Period, the lead independent director, in addition to carrying out ordinary information activities decided on his own initiative to convene a meeting for independent Directors only.

## 5. PROCESSING CORPORATE INFORMATION

In compliance with the provisions of the Self-Regulatory Code of Conduct, in addition to the provisions set forth in Articles 114, seventh paragraph and the Consolidated Law on Finance (T.U.F.), as well as Article 152-*sexies* et sequitur of the Issuers' Regulations, on 23 February 2010, the Board of Directors resolved to establish a special office for managing communications to the Market on Internal Dealing and to approve its code of conduct, with effect from 1 July 2010 (the "**Internal Dealing Code**"). This Internal Dealing Code identifies the "significant persons" and regulates the methods of communication to CONSOB and to the public of the transactions carried out by them and concerning shares issued by the listed company or other financial instruments related to them.

Following the entry into force of (EU) Regulation no. 596/2014 regarding market abuse ("**MAR**"), the Company's Board of Directors approved on 26 July 2016 a series of amendments to the Internal Dealing Code, in order to adjust the procedure in line with legislative and regulatory provisions in force with regard to Internal Dealing set out in art. 19 of the MAR and the corresponding implementation regulations.

The Internal Dealing Code is available on the Company's website: [www.tesmec.com](http://www.tesmec.com).

Moreover, the Board resolved to adopt the Procedure concerning corporate reporting presented during the meeting of 23 February 2010, with effect from 1 July 2010.

Following the entry into force of the MAR, the Company's Board of Directors approved on 26 July 2016 a series of amendments to the procedure, in order to adjust it in line with legislative and regulatory provisions in force with regard to corporate reporting set out in art. 17 of the MAR and the corresponding implementation regulations.

This procedure, called the *Corporate Reporting Policy*, considering the sensitive nature of the subject matter, was delivered to each employee and made available on the Company's Intranet.

Moreover, on 5 July 2010 the procedure for keeping and updating the register of persons with access to privileged information (known as Insider Register) was approved.

## **6. INTERNAL BOARD COMMITTEES (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))**

The establishment and operation of the committees within the Board of Directors meet the following criteria, defined by the Self-Regulatory Code of Conduct of Borsa Italiana, which the company has decided to adopt:

- a) committees consist of no less than three members. However, in the issuers whose board of directors consists of no more than eight members, the committees can consist of only two directors, as long as they are independent; committee works are coordinated by a chairman;
- b) the tasks of the individual committees are established by way of the resolution with which they have been established and can be supplemented or amended by subsequent resolution by the board of directors;
- c) the functions that the Code assigns to different committees can be distributed in a different way or entrusted to a number of committees lower than the one contemplated, provided that the composition rules indicated each time by the Code are observed and the achievement of the underlying objectives is ensured;
- d) the meetings of each committee are recorded;
- e) in the performance of their functions, the committees have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants, within the terms established by the board of directors. The issuer places adequate financial resources for the performance of their tasks at the disposal of the committees, within the limits of the budget approved by the board;
- f) subjects who are not members can attend the meetings of each committee upon invitation by the committee, including other members of the board or of the issuer's structure, with reference to single matters on the agenda;
- g) the issuer provides adequate information, within the report on corporate governance, on the establishment and composition of the committees, on the contents of the office entrusted to them and on the activity actually carried out during the financial period, specifying the number of meetings held and the relevant attendance percentage of each member.

On 16 April 2019, the Board of Directors decided to set up a Remuneration and Appointments Committee and a Control and Risk Committee.

Each Committee refers periodically to the Board on the activities carried out.

The Control and Risk Committee consists of 3 non-executive members, including two independent members and specifically:

- Emanuela Teresa Basso Petrino (Chairman)
- Guido Luigi Traversa (Member)
- Simone Andrea Crolla (Member)

The Remuneration and Appointments Committee consists of 3 non-executive members, including two independent members and specifically:

- Simone Andrea Crolla (Chairman)
- Caterina Caccia Dominiononi (Member)
- Emanuela Teresa Basso Petrino (Member)

It should also be noted that according to the provisions of the resolution of 11 November 2010 regarding the Procedure for Related Party Transactions, on 30 April 2013 the Board of Directors resolved to entrust the Control and Risk Committee with the tasks of the Committee for Related Party Transactions indicated in the procedure for related party transactions (see paragraphs 9 and 11 of this Report), confirming this plan in the resolution of 16 April 2019.

Finally, note that on 1 March 2018, the Board of Directors entrusted the Control and Risk Committee with the responsibilities and functions relating to sustainability, establishing the Control and Risk and Sustainability Committee.

## 7. REMUNERATION AND APPOINTMENTS COMMITTEE

On 16 April 2019, the Board of Directors appointed Directors Simone Andrea Crolla (Committee Chairman), Emanuela Teresa Basso Petrino, (both independent directors), and Caterina Caccia Dominioni (application criterion 4.C.1., letter a) of the Self-Regulatory Code of Conduct) as members of the Remuneration and Appointments Committee. With regard to their functions in the area of remuneration, on the basis of their *curricula vitae*, Simone Andrea Crolla and Emanuela Teresa Basso Petrino have the appropriate knowledge and experience in accounting and financial matters, as well as in remuneration policies. The Chairman coordinates the work of the Remuneration and Appointments Committee. Minutes of the meeting are regularly drawn up.

Over the course of the Financial Period, the Remuneration and Appointments Committee with functions in the area of appointments met 3 times, with all members present. The Committee meeting lasted on average 1 hour. One meeting is envisaged for the 2020 financial period, which has already been held.

Over the course of the Financial Period, the Remuneration and Appointments Committee with functions in the area of remuneration met once, with all members present. The Remuneration Committee meetings lasted on average 1 hour. The Chairman of the Board of Statutory Auditors, Simone Cavalli, and the Statutory Auditor Alessandra De Beni also took part in the meetings held during the Financial Period. A total of 2 meetings are envisaged for the 2020 financial period, one of which has already been held. With reference to its functions in the area of appointments, in addition to the duties prescribed by the Self-Regulatory Code of Conduct, the Remuneration and Appointments Committee provides proposals and consultancy to the Board in relation to:

- a) appointment, falling within the competence of the Board, of Company executives and of the members of subsidiary bodies;
- b) succession plans for Company executives with strategic responsibilities; annual self-assessment of the Board and its committees;
- c) guidance on the number of offices of Directors; evaluation of their requirements and of any activities carried out in competition.

With reference to its functions in the area of appointments, the Remuneration and Appointments Committee is an advisory and proactive body with the main task of formulating to the Board of Directors proposals for the remuneration of Chief Executive Officers and of those holding special offices, as well as, on the advice of the Chief Executive Officers, to determine the remuneration criteria for remuneration of the Company's executives with strategic responsibilities. The Remuneration and Appointments Committee is entrusted with the task of evaluating periodically the adequacy, overall compliance and concrete application of the remuneration policy, availing itself – with regard to executives with strategic responsibilities – of the information provided by the Chief Executive Officer.

The establishment of the Remuneration and Appointments Committee ensures the broadest information and transparency on the remuneration of Chief Executive Officers and its calculation methods. However, it is understood that, in compliance with Article 2389, paragraph 3, of the Italian Civil Code, the Remuneration and Appointments Committee has only proposing functions whereas the power to determine the remuneration of the Directors vested with special tasks pertains in any case to the Board of Directors, after hearing the opinion of the Board of Statutory Auditors.

Always with regard to remuneration, the Remuneration and Appointments Committee is in charge of the tasks set forth in Article 6.C.5 of the Self-Regulatory Code of Conduct and, in particular:

- (a) it submits proposals or expresses opinions to the Board of Directors on the remuneration of Chief Executive Officers and other Directors holding special offices as well as on the setting of performance targets related to the variable component of this remuneration, monitoring the implementation of the decisions adopted by the Board itself, by making sure, in particular, that the performance targets are actually achieved;
- (b) it periodically evaluates the criteria adopted for the remuneration of executives with strategic responsibilities, ensures that these criteria are applied based on the information supplied by the Chief Executive Officers and makes general recommendations to the Board of Directors in this regard;

With reference mainly to the stock options and to the other share-based incentive plans, the Remuneration and Appointments Committee submits to the Board of Directors its recommendations with reference to their use and to all the important technical aspects related to their formulation and application. In particular, the Remuneration and

Appointments Committee formulates proposals to the Board of Directors on the incentive plan considered advisable and monitors the trend and implementation of the plans over time.

No Director attends the meetings of the Remuneration and Appointments Committee where proposals are submitted to the Board of Directors regarding his/her remuneration.

Within the meetings held during the Financial Period, the Remuneration Committee assessed and provided its opinion on the approval of the remuneration policy.

In the performance of their functions, the members of the Remuneration and Appointments Committee will have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants.

During the Financial Period, the Remuneration and Appointments Committee had access to the all company information and functions necessary for performing its duties and made use of external consultants.

Financial resources were not allocated to the Remuneration and Appointments Committee since it uses the Company's means and structures to perform its duties.

## **8. REMUNERATION OF DIRECTORS**

Information relating to the remuneration of Directors and Executives with Strategic Responsibilities is contained in the Report on Remuneration and fees paid, to which reference is made, drawn up pursuant to Articles 123-*ter* of the Consolidated Law on Finance (T.U.F.) and 84-*quater* of the Issuers' Regulations as well as in compliance with the recommendations of Article 6 of the Code, available to the public on the Company's website ([www.tesmec.com](http://www.tesmec.com)) and with the other methods provided for by the regulations in force.

## 9. CONTROL AND RISK COMMITTEE

In order to adapt its corporate governance model to the recommendations contained in Articles 7.P.3., letter a), no. (ii) and 7.P.4. of the Self-Regulatory Code of Conduct, the Board of Directors of the Issuer, during the meeting of 16 April 2019, resolved to set up a control and risk committee (the “**Control and Risk Committee**”), composed of Directors Emanuela Basso Petrino (Committee Chairman), Luigi Traversa and Simone Andrea Crolla (both independent Directors).

The Chairman coordinates the work of the Control and Risk Committee. Minutes of the meeting are regularly drawn up. During the Financial Period, the Control and Risk Committee met 9 times. The percentage of participation in these meetings by the Control and Risk Committee members was the following: Emanuela Basso Petrino 89%; Guido Luigi Traversa 89%; Simone Andrea Crolla 67%. The Control and Risk Committee meetings lasted on average 1 hour. A total of 6 meetings are envisaged for the 2020 financial period, one of which has already been held.

The Chairman of the Board of Statutory Auditors (or another Auditor delegated by the latter) and the Director responsible for the internal control and risk management system also participated the meetings, along with other persons if applicable (e.g. the Head of Internal Audit, the Executive responsible for preparing the company's accounting documents, the Chairman of the Supervisory Body), in this case at the invitation of the Control and Risk Committee and on individual items on the agenda.

In assisting the Board of Directors, the Control and Risk Committee is in charge of the tasks and functions set forth in Article 7.C.2. of the Self-Regulatory Code of Conduct and, in particular:

- a) it evaluates, together with the Executive responsible for preparing the Company's accounting documents and the auditing firm, after hearing the External Auditor and the Board of Statutory Auditors, the proper use of the accounting standards adopted and their homogeneity for the purposes of preparing the consolidated financial statements;
- b) it expresses opinions on specific aspects concerning the identification of the main business risks;
- c) it examines the periodical reports regarding the assessment of the internal control and risk management system and the reports of particular relevance prepared by Internal Audit;
- d) it monitors the independence, adequacy, effectiveness and efficiency of Internal Audit;
- e) it may request Internal Audit to carry out audits on specific operational areas, while informing the Chairman of the Board of Statutory Auditors;
- f) it reports to the Board of Directors, at least every six months, when the financial statements and half-year reports are approved, on the activities carried out and on the adequacy of the internal control and risk management system;
- g) it supports, with adequate investigation, the Board of Directors' assessments and decisions on risk management arising from detrimental events that have come to the Board of Directors' attention.

it receives information from the Board regarding the execution of the internal control and risk management tasks entrusted to it by the Code.

When it carries out its function as Committee for Related Party Transactions, whenever requested, the Control and Risk Committee provides a prior opinion to the Board of Directors upon approval of the Related Party Transactions as defined in the Procedure for Related Party Transactions implemented by the Company.

On 1 March 2018, the Board of Directors entrusted the Control and Risk Committee also with functions relating to sustainability to assess the sustainability report containing non-financial information pursuant to European Directive 2014/95/EU. As the body responsible for sustainability, the Committee has the following responsibilities: (i) provide support and advice to the Board of Directors on sustainability issues, meaning the processes, initiatives and activities aimed at overseeing the Company's commitment to sustainable development along the value chain; (ii) also examine the contents of the Sustainability Report relevant to the internal control and risk management system and (iii) examine and evaluate (x) sustainability policies aimed at ensuring the creation of value over time for the generality of shareholders and all other stakeholders over the medium-long term in compliance with the principles of sustainable development, as well as (y) the guidelines, objectives, and consequent processes of sustainability and sustainability reporting submitted annually to the Board of Directors, including, in particular, the Sustainability Report.

The Control and Risk Committee carries out its task in a completely autonomous and independent way both with regard to Chief Executive Officers - as to the issues of safeguarding company integrity - and with regard to the independent auditors - as to assessment of the results set out by them in the report and in the letter of suggestions.

The professional experience of the current members of the Committee ensures adequate knowledge in accounting, financial and risk management matters within the Committee itself.

The meetings of the Control and Risk Committee were recorded on a regular basis and special reports produced by *Internal Audit* were brought to the attention of the Control and Risk Committee and of the Board of Directors.

In performing their functions, the members of the Control and Risk Committee have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants, under the terms established by the Board.

The main activities carried out by the Control and Risk Committee during the Financial Period are reported below:

- periodical meetings with the Executive responsible for preparing the Company's accounting documents and the Auditing Firm for sharing the accounting standards used and for monitoring the progress of the auditing activities;
- periodical meetings with the Board of Statutory Auditors;
- review of the procedure for Related Party Transactions and related Transactions;
- review of the Annual Corporate Governance Report for the 2019 Financial Period;
- review of Subsidiaries having strategic relevance;
- review of the Safety and Environmental Report and of the activities carried out by the Safety and Environment Manager;
- monitoring of the Organisation, Management and Control Model adopted by the Company and periodical meetings with the Supervisory Body;
- periodical meetings with the Head of Internal Audit and approval of the Activity Plan;
- periodical monitoring of backlog and turnover, with reference to the single functions attributed to it;
- providing support and advice to the Board of Directors on sustainability issues.

Financial resources were not allocated to the Control and Risk Committee since it uses the Company's means and structures to perform its duties.

Pursuant to Article 7.P.3 of the Self-Regulatory Code of Conduct, on 16 April 2019, the Board of Directors appointed the Director in charge of the internal control and risk management system in the person of Caterina Caccia Dominioni.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system is defined as a set of rules, procedures and organisational structures allowing, through an appropriate process for the identification, measurement, management and monitoring of the main risks, safe and fair management of the company consistent with the objectives.

The Board of Directors is responsible for the internal control and risk management system. It defines the guidelines for internal control and business risk management and verifies its operation on a regular basis with the help of the Control and Risk Committee and the Head of Internal Audit.

An efficient internal control and risk management system ensures the protection of company assets, the protection of the Company's assets, the efficiency and effectiveness of company operations, the reliability, soundness, accuracy and timeliness of financial information, and the observance of laws and regulations.

Considering the characteristics of the company and in relation to the risk profile assumed, during the Financial Period, the Board of Directors of the Company considered the current internal control and risk management system to be appropriate and effective.

The Board of Directors defines the guidelines for the internal control and risk management system and ensures that its own evaluations and decisions relating to the internal control system, to the approval of financial statements and half-year reports and to the relations between the issuer and the external auditor are supported by adequate investigation.

The Company's Board of Directors defined the nature and level of risk compatible with strategic objectives, including in its assessments all risk that could be relevant with a view to the medium-to-long-term sustainability of the Company's activities.

On 12 March 2020, the Head of Internal Audit, Simone Bianchi, presented the activities planned for 2020 and the audit plan for 2020 to the Control and Risk Committee. On the same date, at the presentation of its annual report, the Control and Risk Committee informed the Board of the work plan prepared by the Head of Internal Audit, in the presence of the members of the Board of Statutory Auditors.

On 13 March 2020 in accordance with the recommendations of the Code, the Board of Directors approved the work plan prepared by the Head of Internal Audit, having heard the views of the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, assessing the suitability of the internal control and risk management system in relation to the characteristics of the Company and the risk profile assumed, as well as its efficacy.

### **Key characteristics of existing internal control and risk management systems in relation to the process of financial reporting pursuant to Article 123-bis, paragraph 2, letter b), Consolidated Law on Finance (T.U.F.)**

The need for continuous monitoring in compliance with the requirements of Italian Law no. 262/2005 focused on:

- ensuring that the Internal Control System currently in place is appropriate to provide reasonable certainty on the fair and correct representation of the economic and financial information produced;
- drawing up adequate administrative and accounting procedures for preparing the financial statements and the consolidated financial statements and every other financial communication.

In defining the size and variables to be considered for the analysis and evaluation requirements of the project, in the absence of explicit methodological instructions contained in Italian Law no. 262/2005, guidelines accepted at international level and used for compliance activities required by the Sarbanes Oxley Act of 2002 (Section 404) were used.

This approach, defined by the Public Company Accounting Oversight Board (PCAOB) in the "Auditing Standard no. 2" document, provides directions to analyse as completely as possible the internal control system in order to obtain comprehensive evidence of its operation.

These directions concern:

- the extent of the area on which to analyse and evaluate the controls, defined on the basis of the relevant weight that the variables to be considered must have on the main items of the financial statements;

- the quantitative dimension that the financial statement items must have in order to be considered relevant;
- the determination of the processes for which it is considered appropriate to assess the controls.

After defining the relevant business processes, they were analysed in detail to define the mapping of activities and associated risks.

On the basis of the identified (related) risks, the existing controls were reported whereas any control still missing or to be optimised was defined.

This project led to implementing an adequate control structure aimed at mitigating the risks that arose during mapping, thus bringing the company's exposure within limits in line with the "Risk Tolerance" considered acceptable by the Company Board.

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

On 16 April 2019, the Company's Board of Directors, pursuant to Art. 7.P.3. of the Self-Regulatory Code of Conduct, decided to appoint Caterina Caccia Dominioni as Director responsible for the internal control and risk management system, conferring on her, in accordance with article 7.C.4. of the Self-Regulatory Code of Conduct, responsibility for:

- identifying the main business risks, by taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them on a regular basis to the Board of Directors;
- implementing the guidelines defined by the Board of Directors, by designing, implementing and managing the internal control system and constantly verifying its overall adequacy, effectiveness and efficiency; seeing also to the adaptation of this system to the trend of operating conditions and of the legislative and regulatory framework;
- requesting Internal Audit to conduct audits on specific operational areas and on the compliance with internal rules and procedures in executing business operations, while simultaneously informing the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- reporting promptly to the Control and Risk Committee (or the Board of Directors) with regard to problems and critical issues arising from performance of its activity or which it has become aware of, in order for the Committee (or Board) to take the necessary actions.

During the course of the Financial Period, the Director in charge of the internal control and risk management system, alongside carrying out the ordinary tasks listed above, also implemented and transmitted to Internal Audit the guidelines defined by the Board on the management of the internal control system, verifying its actual implementation and consideration.

### **10.2 Head of Internal Audit**

The Board of Directors of 27 June 2019, in the presence of the Board of Statutory Auditors, appointed Simone Bianchi as Head of Internal Audit, after having assessed his curriculum vitae and terms of recruitment, according to corporate policies, with the Control and Risk Committee. On 2 August 2019, the Board of Directors also approved the mandate of the Internal Audit function in accordance with the provisions of the Self-Regulatory Code of Conduct and the best practices in the sector.

In compliance with Article 7.C.5. of the Self-Regulatory Code of Conduct, the Head of Internal Audit has the task, *inter alia*, of:

- verifying - on an ongoing basis and also in relation to specific needs - the operations and the adequacy of the internal control and risk management system, by way of an audit plan, approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main business risks;
- carrying out her tasks independently by acting in accordance with the criteria of timeliness, reliability and efficiency and by reporting the results with objectivity and impartiality;

- submitting periodical reports containing adequate information on her activities to the Chairmen of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the Director in charge of the internal control and risk management system.

The Head of Internal Audit of the Company is not in charge of any operational area and reports directly to the Board of Directors.

During the Financial Period, the Internal Auditor:

- verified – on an ongoing basis and also in relation to specific needs – the operations and the adequacy of the internal control and risk management system, by way of an audit plan, approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;
- had direct access to all the information useful for carrying out her task;
- prepared and submitted periodical reports to the Chairmen of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system, containing adequate information on her activities, on how risk management was conducted and on compliance with the established plans for their containment. The periodical reports contain an evaluation of the suitability of the internal control system for achieving an acceptable overall risk profile and of the risk management system;
- prepared timely reports on events of major importance and submitted them to the Chairmen of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- verified, as part of the audit plan, the reliability of the information systems.

On 12 March 2020, the Head of Internal Audit of the Company presented the activity plan for the current year.

### 10.3 Organisational Model pursuant to Decree 231

By way of resolution of the Board of Directors of 23 February 2010, the Company adopted the Organisational, Management and Control Model (the "**Model**") aimed at ensuring fair and transparent conditions in running the company business, in order to protect its own position and image and those of the companies of the Group (here included the Subsidiaries having strategic relevance), the expectations of its own shareholders and the work of its own employees. The Model was tailored to the specific needs determined by the coming into force of Decree 231.

The adoption of the Model is a fundamental requirement for listing on the STAR segment of Borsa Italiana.

On 16 April 2019, the Board of Directors resolved to appoint Lorenzo G. Pascali (Chairman), Stefano Chirico and Giampaolo Grasso as members of the Supervisory Body for the three-year period 2019 to 2021, until the approval of the financial statements as at 31 December 2021.

The Supervisory Body met 6 times during the Financial Period in order to verify the adequacy of the Model in relation to the development of the regulations, judicial interpretations and any different configuration of business risks.

The specific Risk Assessment task carried out during the update of the Model led to considering the following offences as sensitive for the company and are thus included in the Organisational, Management and Control Model:

- offences committed in relationships with the public administration;
- corporate crimes, including “bribery among private individuals”;
- offences of market abuse;
- transnational offences, organised crime offences and induction to make statements or to make false statements to the judicial authorities;
- offences relating to health and safety at work;
- offences of receiving, laundering and using money, goods or benefits of unlawful origin, as well as self-laundering;
- crimes with the purpose of terrorism;

- crimes against individuals and illegal hiring crimes;
- computer crimes;
- counterfeiting and crimes against industry and trade;
- offences relating to violation of copyright;
- environmental crimes;
- use of illegally staying third-country citizens.

The Organisational, Management and Control Model is available on paper at the Human Resources Department for consultation, as well as available on the company's Intranet.

#### **10.4 Independent Auditors**

The Company appointed Deloitte S.p.A to carry out the auditing, which refers both to the auditing of the financial statements and to the interim auditing concerning the regular keeping of the accounts.

The office also includes the powers provided by the Italian Civil Code, as amended by Italian Legislative Decree no. 6 of 17 January 2003 and by Italian Legislative Decree no. 39 of 27 January 2010 on auditing and was entrusted until the approval of the financial statements as at 31 December 2018 by resolution of the Shareholders' Meeting on 16 April 2019, on a reasoned proposal of the Board of Statutory Auditors as the internal control and accounting committee and taking into account its recommendation and preference expressed, in compliance with the provisions of Italian Legislative Decree no. 39 of 27 January 2010 - as amended by Italian Legislative Decree no. 135 of 17 July 2016, implementing Directive 2014/56/EU that amended Directive 2006/43/EC on the external audit of the annual accounts and consolidated accounts - and European Regulation no. 537/2014 on the audit of entities of public interest.

#### **10.5 Executive responsible for preparing the Company's accounting documents**

Pursuant to Article 19 of the Articles of Association, the Board of Directors, subject to obtaining the mandatory opinion of the Board of Statutory Auditors, appoints the Executive responsible for preparing the Company's accounting documents pursuant to Article 154-*bis* of the Consolidated Law on Finance (T.U.F.), granting him adequate powers and means to perform the duties assigned to him.

The executive responsible for preparing the Company's accounting documents must have the requirements of professional standing characterised by qualified experience in administrative and auditing tasks or in managerial or advisory functions, also in relation to the function of drafting and control of company and accounting documents.

Upon appointment, the Board ascertains whether the Executive responsible for preparing the Company's accounting documents meets the requirements demanded by law and by the Articles of Association.

Moreover, the Board of Directors ensures that the Executive responsible for preparing the Company's accounting documents has adequate powers and means to perform the duties assigned to him pursuant to the law, as well as compliance with administrative and accounting procedures.

On 10 January 2019, the Company's Board of Directors, with the approval of the Board of Statutory Auditors and in compliance with the requirements of honourable standing and professionalism envisaged by the regulations in force and by the Articles of Association, appointed Marco Paredi, formerly Investor Relations Manager, as the new executive responsible for preparing the Company's accounting documents.

The Executive is assisted by competent company administrative functions (especially the Administration and Financial Statements functions) and constantly coordinated with the appointed auditing firm.

#### **10.6 Coordination among subjects involved in the internal control and risk management system**

The Company has identified tangible coordination and efficiency methods for the subjects involved in the internal control and risk management system, providing for jointly held meetings. More specifically, the members of the Board of Statutory Auditors, the Director in charge of the internal control and risk management system, the Head of

Internal Audit and the Executive responsible for preparing the Company's accounting documents usually take part in the Control and Risk Committee's meetings.

## **11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS**

On 11 November 2010, the Board of Directors approved a Procedure for Related Party Transactions governing the rules, procedures and principles to ensure transparency and the substantial and procedural correctness of Related Party Transactions carried out by the Company, directly or through companies controlled by it, in accordance with the provisions of the Related Party Regulation. By way of resolution of 14 March 2014 and of 1 March 2018, the Board of Directors reviewed and updated the Company's Procedure for Related Party Transactions. It should also be noted that the above Procedure was applied to the transactions approved as from 1 January 2011 and that, as from that date, the Code on Related Party Transactions previously adopted was cancelled.

The aim of the Procedure for Related Party Transactions, available on the Company website, is to define the rules, procedures and principles to ensure transparency and the substantial and procedural correctness of transactions with related parties carried out by the Company, directly or through subsidiaries.

### **11.1 Related Party Transactions – investigation and approval**

Since the Company is a "small-sized company" pursuant to Article 3, paragraph 1, letter f), Related Party Regulation, it makes use of the right to apply, in compliance with Article 10 of the Related Party Regulation, to the Related Party Transactions of major importance, the procedure established for the Related Party Transactions of Minor Importance illustrated below and contained in Article 5 of the Procedure. The Board of Directors of the Company or the competent delegated body approves the Related Party Transactions, subject to the reasoned and non-binding opinion of the Committee for Related Party Transactions, on the interest of the Company to carry out the Transaction as well as on the convenience and substantial correctness of the relevant conditions.

In order to allow the Committee for Related Party Transactions to issue a reasoned opinion on this matter:

(i) the Function Manager must provide in reasonable advance to the Company Secretary's Office complete and adequate information concerning the Related Party Transaction. In particular, such information must concern the nature of the relation, the main terms and conditions of the Transaction, the timing, the reasons underlying the Transaction as well as any risk for the Company and its subsidiaries. The Company Secretary's Office sends this information to the Committee; and

(ii) if the Committee for Related Party Transactions deems it necessary or appropriate, it may avail itself of the advice of one or more independent experts of its own choice. Experts are selected among professionally recognised persons competent on these subjects of interest, whose independence and absence of conflict of interest is assessed.

The Committee for Related Party Transactions must issue its opinion in time for the approval of the Related Party Transaction and must promptly provide the body competent to decide upon the approval of the Related Party Transaction with adequate information concerning the investigation carried out on the Transaction to be approved. Such information must concern at least the nature of the relation, the terms and conditions of the Transaction, the timing, the valuation procedure used and the reasons underlying the Transaction as well as any risk for the Company and its subsidiaries. The Committee must also send to the body competent to decide the approval of the Transaction also the other opinions issued in connection with the Transaction.

### **11.2 Related Party Transactions carried out by means of subsidiaries**

Transactions carried out by means of subsidiaries must be subject to the non-binding opinion of the Committee for Related Party Transactions, which issues its opinion in time in order to allow the competent body to authorise, examine or evaluate the Transaction.

### **11.3 Application of the Procedure for Related Party Transactions**

The Management Board has set up internally a Committee for Related Party Transactions consisting of three predominantly independent non-executive board directors, appointed by the Board of Directors in the persons of Emanuela Teresa Basso Petrino – Chairman – Simone Andrea Crolla and Guido Luigi Traversa (see paragraph 9 of this Report).

The Company published three informative documents relating to Related Party Transactions of Major Importance, with reference to the financial periods 2011, 2013, 2016 and 2017, all available at [www.tesmec.com](http://www.tesmec.com) in the “Governance/Related Party Transactions” section.

## 12. APPOINTMENT OF STATUTORY AUDITORS

The Shareholders' Meeting is vested with the appointment of the Statutory Auditors and the Chairman of the Board of Statutory Auditors. The procedures for presenting the lists with the proposals for appointment and voting are governed by the Articles of Association.

Pursuant to Article 22 of the current Articles of Association, the Board of Auditors consists of three Statutory Auditors and two Alternate Auditors who remain in office for three financial periods; their office terminates on the date the ordinary Shareholders' Meeting is convened to approve the financial statements relating to the third financial year of their office; they can be re-elected.

The Board of Directors in office was appointed by the Shareholders' Meeting of 16 April 2019 and will remain in office until approval of the financial statements ended 31 December 2021.

The members of the Board of Statutory Auditors are domiciled for this appointment at the premises of the Company.

All the members of the Board of Statutory Auditors have the requirements of professional and honourable standing required by Article 148 of the Consolidated Law on Finance (T.U.F.) and by the Implementation Regulation adopted by Decree of the Ministry of Justice no. 162/2000.

The members of the Statutory Board of Auditors are subject to the limits on the number of administration and control offices held established by CONSOB regulations.

Pursuant to Article 22 of the Articles of Association, the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the lists presented by the Shareholders, in accordance with the procedures set forth in the following paragraph, except for different and further provisions provided by mandatory rules of law or regulations.

The minority shareholders - which are not an associate or a subsidiary, direct or indirect, pursuant to Article 148, paragraph 2, of the Consolidated Law on Finance (T.U.F.) and relevant regulations – are entitled to elect a Statutory Auditor as Chairman of the Board, and an Alternate Auditor. The minority Statutory Auditors are elected at the same time of the other members of the supervisory body (except for cases of replacement), regulated later.

The Shareholders who, when the list is presented, own a stake - on their own or together with other presenting Shareholders - at least equal to the one determined by CONSOB pursuant to Article 147-ter, paragraph 1, of the Consolidated Law on Finance (T.U.F.) and in compliance with the provisions of the Issuers' Regulations, can present a list for the appointment of the members of the Board of Statutory Auditors.

Lists are filed at the registered office at least 25 (twenty-five) days before the date set for the Shareholders' Meeting convened to deliberate on the appointment of the Statutory Auditors. Moreover, lists must be made available to the public by the Company without delay and in any case at least 21 (twenty-one) days before the date set for the Shareholders' Meeting, under the terms prescribed by the laws in force.

The lists must contain the names of one or more candidates for the position of Statutory Auditor and of one or more candidates for the position of Alternate Auditor. The names of the candidates are marked in each section (Statutory Auditor section, Alternate Auditor section) by a progressive number and in numbers not exceeding the members to be elected.

The lists also contain, as an enclosure:

- a) indication of the identities of the shareholders who presented the lists and the percentage of the overall shareholding, proved by an appropriate certification, without prejudice to what is indicated by Article 147-ter, paragraph 1-bis, of the Consolidated Law on Finance (T.U.F.);
- b) a declaration of the shareholders other than those holding, jointly or otherwise, a controlling interest or a relative majority interest, certifying the absence of any associate or subsidiary relation contemplated by Article 144-quinquies of the Issuers' Regulations with the latter;
- c) an exhaustive document regarding the personal and professional characteristics of the candidates as well as their declaration certifying the possession of the requirements provided by law, and acceptance of candidature, accompanied by the list of management and control positions held by them in other companies;
- d) any additional or different privacy declaration, informative report and/or document provided for by law and by applicable regulations.

The lists presenting a total number of candidates equal to or greater than three must include candidates belonging to both genders, in such a way that at least one third (rounding up, if necessary, to the higher integer) of the candidates for the position of Statutory Auditor and at least one third (rounding up, if necessary, to the higher integer) of the candidates for the position of Alternate Auditor belongs to the less represented gender.

The lists presented without observing the provisions above will be considered as having not been presented.

In the event in which, on the deadline for the presentation of the lists, only one list has been presented or only lists presented by shareholders related to one another on the basis of the applicable regulations, lists may be presented up until the fifth day following said date. In this case, the thresholds provided above for presenting the lists are reduced by half.

A shareholder cannot present or vote more than one list, albeit by proxy or through a trust. The shareholders belonging to the same group and the shareholders that join a shareholders' agreement concerning shares of the Issuer, cannot present or vote more than one list, albeit by proxy or through a trust. Memberships and votes in violation of this prohibition will not be attributable to any list. Each candidate can come up in one list under penalty of ineligibility.

The Statutory Auditors are elected as follows:

- (i) two Statutory auditors and an Alternate auditor are drawn from the list that obtained the highest number of votes ("**Majority List for the Appointment of Statutory Auditors**"), in the sequential order in which they appear on the list;
- (ii) a Statutory Auditor, who must act as Chairman of the Board of Statutory Auditors ("**Minority Auditor**") and an Alternate Auditor ("**Minority Alternate Auditor**") are drawn from the second list that obtained the highest number of votes and that is not connected directly or indirectly with the Shareholders who presented or voted the Majority List pursuant to the applicable provisions, in the sequential order in which they appear on the list.

In the event that the lists obtain the same number of votes, the list presented by shareholders owning the largest stake when the list is presented, or, subordinately, the one presented by the greatest number of shareholders, prevails.

If, with the procedures described above, the compliance of the composition of the Board of Statutory Auditors with the *pro tempore* regulations on gender balance in force is not ensured, the necessary replacements will be made, within the candidates for the position of Statutory Auditor of the Majority List, in the sequential order in which they appear on the list.

If only one list is presented, the Shareholders' Meeting will vote on it and if it obtains the relative majority of voters, without taking account of abstentions, all the candidates listed for these positions will be elected Statutory and Alternate Auditors. In this case, the Chairman of Board of Statutory Auditors is the first candidate as Statutory Auditor.

In the absence of lists, the Board of Statutory Auditors and its Chairman are appointed by the Shareholders' Meeting with the quorum required by law, in compliance with the *pro tempore* regulations on gender balance in force.

If, for any reason, the Majority Auditor is no longer available, he/she is replaced by the Alternate Auditor drawn from the Majority List for the Appointment of Statutory Auditors.

If, for any reason, the Minority Auditor is no longer available, he/she is replaced by the Minority Alternate Auditor.

The Shareholders' Meeting, as provided by Article 2401, paragraph 1 of the Italian Civil Code, appoints or replaces in compliance with the principle of necessary representation of minorities and in compliance with the *pro tempore* regulations on gender balance in force.

In this regard, note that on 1 January 2020 the provisions of Italian Law no. 160 of 27 December 2019 ("2020 Budget Law") came into force, amending Articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the Consolidated Law on Finance (T.U.F.), introduced by Italian Law no. 120 of 12 July 2011 (known as "Gulf-Moscow Law"), on the subject of gender balance in the corporate bodies of companies with listed shares. The 2020 Budget Law envisaged that the management and control bodies of listed companies reserve "at least two fifths" of the members (instead of one third) to the less represented gender and established that this distribution criterion applies for "six subsequent mandates" (instead of three). Therefore, as part of the next renewal of the company bodies, lists will have to be drawn up and their members elected in accordance with the relevant provisions of the 2020 Budget Law and CONSOB regulations.

### **13. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letter d) and d)-bis, Consolidated Law on Finance (T.U.F.))**

The Board of Directors in office was appointed by the Shareholders' Meeting of 16 April 2019 for three financial periods, i.e. until the date of the Shareholders' Meeting convened to approve the financial statements ended 31 December 2021.

During this Meeting and for the purposes of the renewal of the Board of Statutory Auditors, only one list was presented by the Company shareholders. The list presented by shareholder TTC S.r.l. indicated as candidates the individuals subsequently appointed to the Board of Statutory Auditors. After the voting, the list presented by the shareholder TTC S.r.l. was approved unanimously by those present.

The Board of Statutory Auditors currently comprises:

Simone Cavalli (Chairman)

Stefano Chirico (Statutory Auditor)

Alessandra De Beni (Statutory Auditor)

Attilio Marozzi (Alternate Auditor)

Stefania Rusconi (Alternate Auditor).

During the Financial Period, the Board of Statutory Auditors met 17 times, 9 of which jointly with the Control and Risk Committee. The average duration of the meetings of the Board of Statutory Auditors was 2 hours and the percentage of participation was the following: Simone Cavalli 100%, Stefano Chirico 88% and Alessandra Beni 100%.

In the current year, 12 meetings are planned, 3 of which have already been held.

Information concerning the personal and professional characteristics of each Statutory Auditor currently in office is provided below:

Simone Cavalli, born in 1965 in Verona, graduated in Business and Economics from the University of Bergamo in 1992. He has been enrolled with the Register of Auditors since 2003. He began his professional career in 1992 at the auditing firm Arthur Andersen S.p.A., and was appointed executive officer and member of the Transaction Advisory Services in 1999. Since 2004, he has been a partner of the Firm Studio per il Controllo Contabile - corporate analysis and assessment, where he deals with the auditing of separate and consolidated financial statements, accounting and financial due diligence, company valuations and consultancy services in the administration, finance and control area.

Stefano Chirico, born in 1967 in Milan, obtained a degree in Economic and Banking Sciences from Sacred Heart Catholic University, Milan, in 1995. Enrolled since 1996 with the register of Accountants and with the register of Auditors since 1999, he is a partner in the eponymous Studio Chirico Commercialisti Associati. He was also a member of the board of directors of Milan Polytechnic University (2008-2010). He has also held various positions as director and Statutory Auditor in large companies. He has also been a member (former Chairman) of the committee for business consultancy of the Register of Chartered Accountants of Lecco. He was a member (former Chairman) of the board of auditors of the Chamber of Commerce, Industry, Trade and Agriculture of Lecco from 2001 to 2016 and held the position of auditor for Unioncamere Lombardia from 2005 to 2008. He is a consultant for the Court of Lecco and expert witness for bankruptcy proceedings and is registered with the Arbitrators / Mediators of CONSOB. He is currently a member of 8 boards of directors and 10 boards of statutory auditors of several companies, including multinational groups and large-sized corporate groups.

Alessandra De Beni, born in Bergamo in 1958, graduated in 1982 in Economics and Commerce from the University of Bergamo. She has been enrolled with the Register of Chartered Accountants since 1986, and of Auditors since 1995. He has been practicing as a professional accountant since 1987 and he held legal assignments entrusted by the Court of Bergamo and Treviso (Official Receiver). He has held, and still holds, board positions of responsibility such as: member of the Board of Directors, Managing Director and Sole Director of Fervet spa of Castelfranco Veneto (1996/ 2010), member of the Board of Directors of Consorzio Stabile Corifer of Verona (2008/2010), member of the Board of Directors of Locomozione Italia spa of Verona (2007/2010) and other positions. Currently, he is a member of the Board of Statutory Auditors or Auditor in several companies.

Pursuant to Article 8 of the Self-Regulatory Code of Conduct, the Auditors operate autonomously and independently and, therefore, they do not “represent” the majority or minority of those who indicated or elected them.

The Auditors must maintain the documents and information acquired when carrying out their tasks strictly confidential and must observe the procedure adopted for the external communication of documents and information concerning the company.

The Board of Statutory Auditors carries out the tasks and activities required by law. The Board of Statutory Auditors must meet at least every ninety days. The resolutions of the Board of Statutory Auditors are passed with the presence of the majority of the Statutory Auditors holding office and with the favourable vote of the majority of those present.

Moreover, the Statutory Auditors can collectively and individually ask the Directors for news and clarifications on the information received and more in general on the performance of company operations or certain business, as well as carry out at any moment inspections and controls and request information, as provided by the law. Two members of the Board of Auditors are also entitled, jointly, to convene the Shareholders' Meeting.

The Board of Statutory Auditors supervised the independence of the auditing firm, ensuring its compliance with prevailing laws and the nature and type of services other than auditing services provided to the Issuer and its subsidiaries by the Auditing Firm and the entities belonging to its network.

The Board of Statutory Auditors verified whether the independence requirements of the Auditors (established prior to their appointment) were still met, on the basis of the criteria provided for by the law and by the Self-Regulatory Code of Conduct and forwarded the outcome of these checks to the Board of Directors. It also complied with the limit to the number of offices provided for by the Articles of Association and by Article 144-*terdecies* of CONSOB Issuers' Regulations no. 11971, fulfilling – where required – CONSOB's reporting obligations during the year.

The Board of Statutory Auditors also carried out a self-assessment process, taking account of the indications provided by Rule Q.1.1. "Self-assessment of the Board of Statutory Auditors" included in the document "Rules of Behaviour of the Board of Statutory Auditors of Listed Companies" published by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (equivalent of association of chartered accountants) on 26 April 2018. This activity was carried out with the aim of defining both the optimal qualitative and quantitative composition of the Supervisory Body and its functionality by identifying any critical issues and resolving them. Therefore, the Board of Statutory Auditors informed the Company's Board of Directors that this preliminary work did not reveal any shortcomings either with regard to each member or to their composition, nor did the Supervisory Body point out any particular critical issues or areas for improvement.

The Board of Statutory Auditors received from the Directors, with appropriate frequency, information about general operating performance and outlook, and about the activities carried out and the most important transactions from an economic, financial and equity related perspective performed during the financial period, also through subsidiaries. It verified that they were compliant with the law and the deed of incorporation and that they were not manifestly imprudent or risky, in potential conflict of interest or in contrast with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

During the meetings of the Board of Directors, in which the Board of Statutory Auditors takes part, adequate information on the development of the corporate business and the regulatory environment is given by both the Chairman and the General Manager, who has twenty years' experience in the industry and is often invited to participate in the Board meetings (see section 4.2 of this Report with reference to the induction programme).

In carrying out its activities, the Board of Statutory Auditors collaborated with the Head of Internal Audit, with the Control and Risk Committee and with the appointed auditing firm.

The remuneration of the Statutory Auditors is commensurate with the required commitment, to the importance of the role and to the dimensional and sectoral characteristics of the Company.

### **Diversity criteria and policies**

The Issuer applied the diversity criteria, including gender, in force at the time in the composition of the Board of Statutory Auditors. In particular, at least one third of the standing and alternate members of the Board of Statutory Auditors is made up of auditors of the less represented gender.

On 1 March 2018, the Board of Directors of the Company approved its Diversity Policy relating to the formation of the administration and control bodies as to aspects such as age, gender composition and the training and professional path.

Particularly pursuant to the content of the Diversity Policy:

- With reference to the composition of the Board of Statutory Auditors, it should be noted that, pursuant to the regulations in force, at least one of the standing auditors must be in the register of external auditors and must have carried out the external auditing of the accounts for a period of not less than three years. Statutory auditors who do not meet this requirement must be chosen from among those who have at least three years' experience:
  - in administration or control or who have executive duties with joint-stock companies with a share capital of at least two million Euros, or
  - in professional activities or university teaching in legal, economic, financial, technical and scientific subjects closely related to the company's activities, or
  - in managerial functions with public bodies or administrations operating in the credit, financial and insurance sectors or in any case in sectors closely related to that of the company's business (i.e. matters relating to commercial law and tax law, business administration and corporate finance, as well as matters and sectors of activity relating to energy in general, communications and network structures).
- With regard to professional requirements, the Articles of Association refer to the subjects and sectors closely related to that of the company that coincide with the activities indicated in detail in the business purpose, as well as in matters related to private and administrative law regulations, economic regulations and those relating to audit and business organisation.
- With regard to gender quotas, in line with what is currently required by the regulations in force and the Articles of Association, one third of the Board of Statutory Auditors must be made up of persons belonging to the "less represented" gender, which - based on past experience - usually coincides with the female gender.
- The members of the Board of Statutory Auditors must also meet the requirements of honourable standing and independence envisaged by the regulations in force and by the Articles of Association.

On 16 April 2019, the Board of Statutory Auditors was appointed taking into account the provisions of the Diversity Policy adopted by the Company.

With regard to diversity, note that on 1 January 2020 the provisions of Italian Law no. 160 of 27 December 2019 ("2020 Budget Law") came into force, amending Articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the Consolidated Law on Finance (T.U.F.), introduced by Italian Law no. 120 of 12 July 2011 (known as "Gulf-Moscow Law"), on the subject of gender balance in the corporate bodies of companies with listed shares. The 2020 Budget Law envisaged that the management and control bodies of listed companies reserve "at least two fifths" of the members (instead of one third) to the less represented gender and established that this distribution criterion applies for "six subsequent mandates" (instead of three). Therefore, as part of the next renewal of the company bodies, lists will have to be drawn up and their members elected in accordance with the relevant provisions of the 2020 Budget Law and CONSOB regulations.

## **14. INVESTOR RELATIONS**

In accordance with the provisions of Article 9 of the Self-Regulatory Code of Conduct, the Board of Directors of the Company promotes works directed towards encouraging the widest possible attendance at the Shareholders' Meetings and facilitating the exercise of the Shareholders' rights.

Moreover, the Board of Directors works actively towards establishing a constructive dialogue with the shareholders based on an understanding of their mutual roles.

In compliance with the provisions of Article 9.C.1. of Self-Regulatory Code of Conduct and Article 2.2.3, third paragraph, letter k) of the Stock-Exchange Regulations, the Company appointed Mr. Marco Paredi as the person in charge of the relations with institutional investors and with other shareholders (Investor Relator) with the task of maintaining dialogue with the Shareholders and institutional investors.

The Investor Relator is entrusted with the task of organising meetings with investors and the financial community to illustrate the Company's strategies and performance. In any case, the possibility for communications to be made on significant events before they are disclosed to the market is excluded.

To encourage dialogue with investors, the Company has created an Investor Relations sector on [www.tesmec.com](http://www.tesmec.com), where information concerning the Company is published.

## **15. SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, paragraph 2, letter c), Consolidated Law on Finance (T.U.F.))**

As a rule, all the Directors attend the meetings. The Directors, in accordance with Article 9 of the Self-Regulatory Code of Conduct, do their best to encourage the widest possible attendance at the Shareholders' Meetings and facilitate the exercise of the Shareholders' rights.

The Shareholders' Meetings are also an occasion for informing the Shareholders on the Issuer, in compliance with the rules on inside information. In particular, the Board of Directors reports during the Shareholders' Meeting on the activity carried out and planned and does its best to ensure adequate disclosure to the Shareholders on the elements required so that they can take informed decisions pertaining to the Shareholders' Meeting.

The Articles of Association of the Company contain provisions in compliance with the provisions of the Italian Civil Code and of the Consolidated Law on Finance (T.U.F.) on the protection of minorities.

Pursuant to paragraph 1 of Article 7 of the Articles of Association, the ordinary and extraordinary Shareholders' Meeting, is convened in a single call. The notice of call must contain the date, time, place of the meeting and the agenda and must be published in the Official Gazette of the Italian Republic at least fifteen days before the date set for the Shareholders' Meeting.

If and until the shares are traded on a regulated market, the Shareholders' Meeting shall be convened within the deadlines and in the manner provided for by regulations in force from time to time, as an exception to the provisions under Article 7, paragraph 1 of the Articles of Association.

The agenda of the Shareholders' meeting is established by the person with powers to convene meetings pursuant to the law and to the Articles of Association or, should the call be carried out at the request of the shareholders, on the basis of the agenda.

Pursuant to Article 8 of the Articles of Association, shareholders having a right to vote are entitled to attend the Shareholder's Meeting. They are entitled to attend the Shareholders' Meeting by sending the notice issued by the intermediary who keeps the accounts, pursuant to the law. Those entitled to attend the Shareholders' Meeting may grant a written proxy for attendance and voting, in accordance with the provisions of the law. In compliance with Article 6 of the Articles of Association, Ordinary and Extraordinary Shareholders' Meetings may be held, by decision of the Directors, also by way of video/teleconference, with participants located in different places, either near or far, provided that the plenary method and the principles of good faith and equal treatment among the shareholders are applied.

As specified by Article 9 of the Articles of Association, each share has one voting right. The Articles of Association do not envisage multiple vote shares or mechanisms for increasing voting rights.

During the financial period, the Shareholders' Meeting was held on 16 April 2019 and was attended by six Company Directors.

The Board of Directors has not adopted regulations for shareholders' meetings and the Shareholders' Meetings are held as indicated by existing legislation that guarantees proper conduct of the Shareholders' Meetings and ensures that each shareholder may exercise his/her rights, including the right to speak on the matters being discussed. In accordance with the Articles of Association, the resolutions under Articles 2365, paragraph 2 of the Italian Civil Code do not fall within the competence of the Shareholders' Meeting and are instead attributed to the competence of the Board of Directors, in compliance with Article 2436 of the Italian Civil Code.

During the Financial Period, no main changes occurred in the market capitalisation of the Issuer's shares or in the composition of its corporate structure.

**16. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, paragraph 2, letter a), Consolidated Law on Finance (T.U.F.))**

At the Date of the Report no further corporate governance practices have been adopted in addition to those outlined above.

## **17. CHANGES SINCE THE END OF THE FINANCIAL PERIOD**

Except as described in the Report, from the end of the Financial Period to the Date of the Report, no changes occurred in Issuer's corporate governance structure.

## **18. COMMENTS ON THE LETTER OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE DATED 19 December 2019**

With regard to the contents of the letter of the Chairman of the Corporate Governance Committee of Borsa Italiana dated 19 December 2019, it was brought to the attention of the Board of Directors on 13 March 2020 and of the internal committees on 12 March 2020.

Please note that:

- with reference to the integration of business sustainability in the definition of strategies and remuneration policy, also based on a materiality analysis of the factors that can affect the generation of value in the long term, as shown in paragraph 6 of this Report, on 1 March 2018, the Control and Risk Committee was also entrusted with the responsibilities and functions relating to sustainability, by establishing the Control, Risk and Sustainability Committee. In particular, with regard to sustainability, the Committee performs the functions described in paragraph 9 of this Report;

- with reference to the adequacy of the management of information flows to the Board of Directors, as pointed out in paragraph 4.3 of this Report, in accordance with the provisions of application criterion 1.C.5. of the Self-Regulatory Code of Conduct, a complete, prompt and usable pre-board meeting report is usually guaranteed by sending to the directors by email, usually about four days in advance, the documents and information necessary for them to express themselves on the items on the agenda in full awareness;

- with reference to the recommendations on the application of the independence criteria defined by the Self-Regulatory Code of Conduct, on 16 April 2019, as pointed out in paragraph 4.3 of this Report, the Board of Directors was appointed taking into account the provisions of the Diversity Policy adopted by the Company and the guideline that the outgoing Board of Directors expressed on 5 March 2019 based on the opinion and recommendations made by the Remuneration and Appointments Committee on the same date on the composition of the new Board of Directors. In particular, with regard to the identification of independent directors, a stricter application of the independence criteria was hoped for with this guideline, given that the Corporate Governance Committee invited the board of directors to apply more rigorously the independence criteria defined by the Self-Regulatory Code of Conduct, since both their non-application and substantive application - whose subject matter is, more frequently, the criterion of the ultra-nine-year term of office - , given the importance of the independent directors in the process of forming the Board's will in matters of particular importance and delicacy, could significantly affect the efficiency and adequacy of the governance systems. On 13 March 2020, the Board of Directors verified the independence requirements of the Directors qualified as such, with reference to the principles established by the Self-Regulatory Code of Conduct and by the Consolidated Law. With the approval of the Board of Statutory Auditors, the Board decided to assess positively the presence of such requirements of Directors Simone Andrea Crolla, Emanuela Teresa Basso Petrino, Paola Durante and Guido Luigi Traversa. On the same date, the Board of Statutory Auditors assessed positively the correct application of the criteria and procedures used by the Board to ascertain the independence of its members.

- with reference to the extent of the fees paid to non-executive directors and members of the supervisory body, it was deemed adequate for the skills, professionalism and commitment required by their office.

\* \* \*

Grassobbio, 13 March 2020

The Chairman of the Board of Directors  
Ambrogio Caccia Dominioni

**TABLE 1: Information on Ownership Structure**

Share Capital Structure				
	No. of shares	% of share capital	Listed (indicate the markets)/not listed	Rights and Obligations
Ordinary shares	107,084,000	100%	Italian Electronic Stock Market, STAR segment, managed by Borsa Italiana S.p.A.	-
Multiple vote shares	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

Other Financial Instruments (granting the right to subscribe newly issued shares)				
	Listed (indicate the markets)/not listed	No. of outstanding instruments	Category of shares relative to the conversion/exercise	No. of shares relative to the conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

Significant equity investments				
Declarer	Direct shareholder	% on ordinary capital	% on voting capital	
TTC S.R.L.	FI.IND S.P.A.	13.944%	13.944%	
	TTC S.R.L.	30.301%	30.301%	
ARGOS INVESTMENT MANAGERS SA	ARGOS INVESTMENT MANAGERS SA	6.667%	6.667%	

**TABLE 2: Structure of the Board of Directors and of the Committees**

Board of Directors													Control and Risk Committee:		Remuneration and Appointments Committee	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List**	Executives	Non-executives	Indep. based on Code	Indep. based on TUF	No. of other offices***	(*)	(*)	(**)	(*)	(**)
<b>Chairman and CEO</b> ◊	Ambrogio Caccia Dominioni	1946	23/02/2010	29/04/2016	Approval of the Financial Statements as at 31/12/2021	M	X				1	11/11				
<b>Vice Chairman</b>	Gianluca Bolelli	1959	23/02/2010	29/04/2016	Approval of the Financial Statements as at 31/12/2021	M		X			4	11/11		M		
<b>Director</b>	Lucia Caccia Dominioni	1977	30/04/2013	29/04/2016	Approval of the Financial Statements as at 31/12/2021	M		X			0	11/11				
<b>Director</b>	Caterina Caccia Dominioni	1979	23/02/2010	29/04/2016	Approval of the Financial Statements as at 31/12/2021	M		X			0	11/11			3/3	M
<b>Director</b>	Simone Crolla	1972	16/04/2019	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M		X	X	X	3	6/11	5/9	M	3/3	P
<b>Director</b> •	Emanuela Teresa Basso Petrino	1974	16/04/2019	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M		X	X	X	1	7/11	9/9	P	3/3	M
<b>Director</b> ○	Paola Durante	1969	29/04/2016	29/04/2016	Approval of the Financial Statements as at 31/12/2021	M		X	X	X	1	9/11				
<b>Director</b>	Guido Luigi Traversa	1949	16/04/2019	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M		X	X	X	2	7/11	9/9	M		
<b>n.a.</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of meetings held during the Financial Period</b>			Board of Directors: 11					Control and Risk Committee: 9			Remuneration and Appointments Committee: 3					
<b>Quorum required for the presentation of the lists at the time of last appointment: 4.5%</b>																

**NOTES**

The symbols indicated below must be included in the “Office” column:

• This symbol indicates the director in charge of the internal control and risk management system.

◊ This symbol indicates the person who is chiefly responsible for managing the Issuer (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

\* Date of first appointment of each director means the date on which the director was appointed for the first time (ever) in the issuer’s BoD.

\*\* This column shows the list from which each director was drawn (“M”: majority list; “m”: minority list; “BoD”: list presented by the BoD).

\*\*\* This column shows the number of offices as director or auditor held by the interested subject in other companies listed on regulated markets - including foreign - in holding, banking, insurance or large-sized companies. In the Corporate Governance Report, these offices are written out in full.

(\*). This column shows the percentage of attendance by the Directors at the Board and Committee meetings, respectively (indicate the number of meetings attended with respect to the overall number of meetings that could have been attended; e.g. 6/8; 8/8 etc.).

(\*\*). This column shows the role of the Director in the Committee: “C”: chairman; “M”: member.

**TABLE 3: Structure of the Board of Statutory Auditors**

Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Indep. Code	Participation at meetings of the Board ***	No. of other offices ****
Chairman	Simone Cavalli	1965	23/02/2010	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M	X	17/17	7
Statutory Auditor	Stefano Chirico	1967	17/04/2008	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M	X	15/17	18
Statutory Auditor	Alessandra De Beni	1958	30/04/2013	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M	X	17/17	4
Alternate Auditor	Attilio Marcozzi	1961	23/02/2010	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M	X	n.a.	xx
Alternate Auditor	Stefania Rusconi	1979	23/02/2010	16/04/2019	Approval of the Financial Statements as at 31/12/2021	M	X	n.a.	xx
<b>AUDITORS WHO RESIGNED DURING THE FINANCIAL PERIOD</b>									
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Number of meetings held during the financial period: 17

Indicate the quorum required for the presentation of minority lists for the election of one or more members (pursuant to art. 148 of the Consolidated Law on Finance (T.U.F.): Quota Art. 147-ter, paragraph 1, Consolidated Law on Finance (T.U.F.)

## NOTES

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

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

\*\*\* This column shows the percentage of attendance by the auditors at meetings of the board of statutory auditors (indicate the number of meetings attended with respect to the overall number of meetings that could have been attended; e.g. 6/8; 8/8 etc.).

\*\*\*\* This column shows the number of offices or director or auditor held by the interested party pursuant to art. 148-bis of the Consolidated Law on Finance (T.U.F.) and to the relevant implementation provisions of the CONSOB Issuers' Regulations. The complete list of offices is published by CONSOB on its website pursuant to art. 144-quinquiesdecies of the CONSOB Issuers' Regulations.

## ANNEX A - List of existing offices held by the current members of the Board of Directors

Information relating to corporate offices held by the directors is reported below.

Name and surname	Company	Office
Ambrogio Caccia Dominioni	Ambrosio S.r.l.	Director
	Promor Fondazione	Director
	TESMEC USA	Chairman of the Board of Directors
	Tesmec Service S.r.l.	Chairman of the Board of Directors
	Tesmec SA (Pty) LTD	Director
	M.T.S. S.p.A.	Director
	C.B.F. S.r.l.	Director
	Tesmec Rail S.r.l.	Single Director
	Tesmec New Technology Beijing Ltd.	Chairman of the Board of Directors
Gianluca Bolelli	East Trenchers S.r.l.	Single Director
	Cfo Sim S.p.A.	Chairman of the Board of Directors and Director
	Comifin S.p.A. in liquidazione	Liquidator
	E. Boselli & C. S.p.A.	Chairman of the Board of Directors and Director
	Damiani S.p.A	Chairman of the Board of Statutory Auditors
	Ronchi Mario S.p.A.	Chairman of the Board of Statutory Auditors
	Ronchi Holding S.p.A.	Chairman of the Board of Statutory Auditors
	Rubelli S.p.A.	Chairman of the Board of Statutory Auditors
	Planetaria Hotels S.p.A.	Statutory Auditor
	Reale Compagnia Italiana S.p.A.	Statutory Auditor
San Colombano S.p.A.	Chairman of the Board of Statutory Auditors	

	TTC S.r.l.	Director
	KCS S.r.l.	Director
	Tesmec Rail S.r.l.	Director
	T-Rex Investimenti Srl	Director
	ICS Tech S.r.l.	Director
	Tre Laghi S.p.A	Director
	Alucart S.p.A.	Chairman of the Board of Statutory Auditors
	Ghial Holding S.p.A.	Statutory Auditor
	Ghial S.p.A.	Statutory Auditor
	Ceme S.r.l.	Single Director
	Banca progetto S.p.A.	Alternate Auditor
	Ciprofin S.r.l.	Statutory Auditor
Paola Durante	Banca Mediolanum	Independent Director
Caterina Caccia Dominioni	-	-
Lucia Caccia Dominioni	-	-
Emanuela Basso Petrino	Fondazione Theodora Onlus	Managing Director
Guido Luigi Traversa	ILB Helios Italia Srl	Director
	Agrisolar Soc. Agr. Srl	Director
Simone Crolla	Vitali S.p.A.	Director
	Synergo S.p.A.	Director
	American Chamber	Managing Director





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