



**SAFILO GROUP S.p.A.**

**2019 REPORT ON CORPORATE GOVERNANCE  
and OWNERSHIP STRUCTURE**

**pursuant to Article 123-*bis* CFA**

**(Traditional management and control model)**

**Approved by the Board of Directors on March 18, 2020**

**Website** [www.safilogroup.com/en/](http://www.safilogroup.com/en/)

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## GLOSSARY

In this Report, unless a different meaning is clear from the context, the following terms and expressions, when beginning with a capital letter, shall have the meanings set out below:

**Articles of Association:** the Articles of Association of SAFILO GROUP S.p.A., published on the company's website;

**Board of Directors:** the Board of Directors of SAFILO GROUP S.p.A.;

**Board of Statutory Auditors:** the Board of Statutory Auditors of SAFILO GROUP S.p.A.;

**CFA:** Italian Legislative Decree no. 58 of 24 February 1998 (the Consolidated Finance Act) and its subsequent amendments;

**Civil Code/ICC:** the Italian Civil Code, ICC;

**Code:** the Listed Companies' Corporate Governance Code approved by the Corporate Governance Committee of Borsa Italiana S.p.A. and subsequently amended for the last time in July 2018;

**Company or Issuer:** SAFILO GROUP S.p.A.;

**Control Risk and Sustainability Committee:** the Control Risk and Sustainability Committee of SAFILO GROUP S.p.A. (former Control and Risk Committee);

**Financial Year:** the financial year referred to by the Report, which ended on December 31, 2019;

**Group:** indicates the Company and its subsidiary companies, as defined by Article 93 of the CFA and Article 2359 of the ICC;

**Instructions to Stock Market Rules:** the Instructions to the Rules of the Markets organised and managed by Borsa Italiana S.p.A.;

**Issuers' Regulation:** Consob Regulation no. 11971 of May 14, 1999 as subsequently amended;

**MTA:** Mercato Telematico Azionario – the Italian stock exchange organised and managed by Borsa Italiana S.p.A.;

**Plans:** 2014-2016 Stock Option Plan and 2017-2020 Stock Option Plan, as described in Section 2;

**Remuneration and Nomination Committee:** the Remuneration and Nomination Committee of SAFILO GROUP S.p.A.;

**Report:** this corporate governance report that listed companies are required to prepare pursuant to Article 123-*bis* of the CFA;

**Report on the Remuneration:** the report on the remuneration policy and on the remuneration paid drafted by the Company pursuant to Article 123-*ter* of the CFA;

**Stock Market Rules:** the Rules of the Markets organised and managed by Borsa Italiana S.p.A.;

**Transactions with Related Parties Committee:** the Transactions with Related Parties Committee of SAFILO GROUP S.p.A. with the responsibilities for the transactions with related parties;

**Website:** the Company's website [www.safilogroup.com/en](http://www.safilogroup.com/en).

It is pointed out that other definitions may also be included in the text of the Report.

## 1. ISSUER'S PROFILE

This Report includes information required by Article 123-*bis* of CFA and by regulations in force related to the corporate governance system adopted by the Company as well as to the Company's share ownership.

In line with the recommendations of the Code, adopted by the Company, the Report also includes accurate and complete information on how the Company complied with the principles and with the criteria established in the Code itself.

The Company also falls within the definition of SMEs (Small and medium-sized enterprise) pursuant to Article 1 paragraph 1 letter W-*quater* 1) of the CFA; the average capitalization value is equal to 258,826 Euros and the value of the consolidated turnover amounts to 939,038 Euro.

## 2. INFORMATION ABOUT OWNERSHIP STRUCTURE (pursuant to Article 123-*bis*, paragraph 1 of the CFA) AS AT 31/12/2019

### a) Structure of share capital (ex Article 123-*bis*, paragraph 1, letter a) of the CFA)

As at December 31, 2019, the share capital amounts to Euro 349,943,372.53 divided into no. 275,703,846 ordinary shares without any indication of par value.

All shares of the Company are registered, indivisible and freely transferable. They are traded on the MTA.

Table 1, which is attached, should be referred to for any further information regarding the structure of share capital.

#### **2014-2016 Stock Option Plan [expiry date May 31, 2024]**

The Extraordinary Shareholders' Meeting of April 15, 2014 resolved to increase the share capital, with the exclusion of the option right pursuant to Article 2441, paragraph four, second sentence of the ICC, by a maximum nominal value of Euro 7,500,000.00 by issuing new ordinary shares for an amount up to a maximum of no. 1,500,000, without any indication of par value, to be offered for subscription to directors and/or employees of the Company and its subsidiaries ("**2014-2016 Stock Option Plan**" or "**2014-2016 Plan**").

Such 2014-2016 Plan – aimed at the incentive and improvement of the loyalty of the directors and/or the employees/managers of the Company and/or of the subsidiary companies – is performed through the assignment, free of charge and in several tranches, of a maximum of no. 1,500,000 options, which entitle the beneficiaries to the right to subscribe newly issued ordinary shares of the Company arising from the above mentioned capital increase at the rate of no. 1 share for each option.

The subscription price corresponds to the weighted average of the official prices of SAFILO GROUP S.p.A. ordinary shares registered on the MTA in the month preceding the meeting of the Board of Directors which allocated the rights of option issued within the 2014-2016 Plan.

#### **2017-2020 Stock Option Plan [expiry date May 31, 2027]**

The Extraordinary Shareholders' Meeting of April 26, 2017 resolved to increase the share capital, with the exclusion of the option right pursuant to Article 2441, paragraph four, second sentence of the ICC, by a maximum nominal value of Euro 12,500,000.00 by issuing new ordinary shares for an amount up to a maximum of no. 2,500,000<sup>1</sup> without any indication of par value, to be offered for subscription to directors and/or employees of the Company and its subsidiaries ("**2017-2020 Stock Option Plan**" or "**2017-2020 Plan**").

Such 2017-2020 Plan – aimed at the incentive and improvement of the loyalty of the directors and/or the employees/managers of the Company and/or of the subsidiary companies – is performed through the assignment, free of charge and in several tranches, of a maximum of no. 2,891,425 options<sup>2</sup>, which entitle the beneficiaries to the

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<sup>1</sup> The maximum number of Shares serving the 2017-2020 Plan can be adjusted by the Board of Directors to take into account the effects of the share capital increase up to a maximum of Euro 150 million, resolved upon by the Extraordinary Shareholders' meeting of October 29, 2018, pursuant to Article 2441, paragraph 1 of the ICC.

<sup>2</sup> The maximum number of Options, originally set at 2,500,000 options, has been subsequently adjusted by the Board of Directors to take into account the effects of the share capital increase up to a maximum of Euro 150 million, resolved upon by the Extraordinary Shareholders' meeting of October 29, 2018, pursuant to Article 2441, paragraph 1 of the ICC.

right to subscribe newly issued ordinary shares of the Company arising from the above mentioned capital increase at the rate of no. 1 share for each option.

The subscription price of the options will correspond to the weighted average of the official prices of SAFILO GROUP S.p.A. ordinary shares registered on the MTA in the month preceding the meeting of the Board of Directors which allocated the rights of option issued within the 2017-2020 Plan.

\* \* \*

For more information on the 2014-2016 Stock Option Plan and on the 2017-2020 Plan (“Plans”), reference should be made to the content of the Report on the Remuneration, to the information memoranda prepared pursuant to Article 84-*bis* of the Issuers’ Regulation, as well as all the documentation relating to the above-mentioned Plans, prepared in compliance with current regulations, which are all available on the Website in the Investor Relations/Corporate Governance section.

**b) Restrictions on transfer of securities (ex Article 123-*bis*, paragraph 1, letter b) of the CFA)**

There are no restrictions on the transfer of securities, such as, for example, limitations on the ownership of securities or the need to obtain the approval of the Company or of other owners of securities.

**c) Significant shareholdings (ex Article 123-*bis*, paragraph 1, letter c) of the CFA)**

On the basis of the information available and notifications received in accordance with Article 120 of the CFA and Article 121 of the Issuer’s Regulation, as at December 31, 2019 the shareholders owning over 5% of share capital were:

Declarer	No. of Shares	% of ordinary share capital	% of voting capital
HAL Holding NV *	137,417,972	49.84%	49.84%
BDL CAPITAL MANAGEMENT	41,344,726	14.99%	14.99%

\* Through Multibrands Italy BV.

**d) Securities carrying special rights (ex Article 123-*bis*, paragraph 1, letter d) of the CFA)**

The Company has not issued any securities that carry special rights. It is also pointed out the Company’s Articles of Association do not provide for any increasing voting right or multiple voting right mechanism.

**e) Employee equity participation: mechanism for exercising voting rights (ex Article 123-*bis*, paragraph 1, letter e) of the CFA)**

There are no particular mechanisms for exercising voting rights in any employee stock ownership plan.

**f) Restrictions on voting rights (ex Article 123-*bis*, paragraph 1, letter f) of the CFA)**

The Articles of Association do not establish any restrictions on voting rights.

**g) Shareholders’ agreements (ex Article 123-*bis*, paragraph 1, letter g) of the CFA)**

On May 9, 2017, Multibrands Italy B.V., owning, at the time of the execution of the shareholders’ agreement, no. 26,073,783<sup>1</sup> ordinary shares, and Eugenio Razelli, Italian citizen, member and current Chairman of the Board of Directors of the Company, entered into a shareholders’ agreement concerning, *inter alia*, the inclusion of Eugenio Razelli as candidate of the list for the appointment of the Board of Directors of Safilo Group S.p.A. to be submitted on **the occasion** of the renewal of the administrative body, the exercise of the voting rights relating to the ordinary

<sup>1</sup> It is hereby pointed out that the number of shares held by Multibrands Italy B.V. as at 31 December 2019 is 137,417,972.

Shareholders' Meeting of Safilo Group S.p.A., as well as the appointment of Eugenio Razelli as Chairman of the Board of Directors. The agreement will expire upon appointment of the Board of Directors of Safilo Group, following the approval of the 2018 financial statements.

\* \* \*

For more detailed information on such shareholders' agreement, reference should be made to the documentation drawn up according to the applicable law, which is available on the Website in the Investor Relations section/Corporate Governance.

**h) Change-of-control clauses (ex Article 123-bis, paragraph 1, letter h), CFA) provisions of the Articles of Associations related to public tender offer (OPA) (ex Article 104, paragraph 1-ter, and Article 104-bis, paragraph 1 of the CFA)**

Some licence agreements concluded by the subsidiaries Safilo S.p.A. and/or Safilo USA Inc. provide the right for the licensor to withdraw from the agreement if certain events occur, such as, for example: (i) changes in control of the subsidiary Safilo S.p.A. or of the Company; (ii) acquisition of a majority equity interest in Safilo S.p.A. or in the Company by a direct competitor of the licensor; or/and (iii) appointment of a representative of the direct competitor of the licensor on the Board of Directors of the subsidiary Safilo S.p.A. or a significant change in management.

With reference to the public tender offers, the Company's Articles of Association do not include any clause in derogation to the provisions related to the passivity rule nor provisions for the breakthrough rule.

**i) Delegation of power to increase share capital and authorisations to purchase the Company's own shares (ex Article 123-bis, paragraph 1, letter m) of the CFA)**

The ordinary Shareholders' Meeting of the Company held on April 30, 2019, subject to revocation of the authorisation granted by the ordinary Shareholders' meeting of April 24, 2018, has authorized the purchase and disposal of treasury shares pursuant to Article 2357 and following Articles of the Italian Civil Code as well as to Article 132 of Legislative Decree 58/1998 and related implementing provisions, for a period of 18 months from the date of Shareholders' meeting resolution, up to a maximum of no. 10,000,000 shares, taking into account the ordinary shares of Safilo Group at any time held in portfolio by the Company and by its subsidiaries. Purchases must abide by a minimum and maximum price with respect to the stock exchange price of the Company shares, determined in accordance with the criteria described in detail in the resolution of the Shareholders' Meeting.

As at December 31, 2019 the Company does not possess own shares. As at the date of the approval of the present Report there has been no variation compared to December 31, 2019.

\* \* \*

For more information on the purchase and sale, disposal and/or use of treasury shares, reference should be made to the content of the illustrative report made available on the occasion of the Ordinary Shareholders' Meeting held on April 30, 2019 available on the Website in the Investor Relations/Corporate Governance section.

**l) Direction and coordination activities (ex Article 2497 and ff.)**

In accordance with IFRS no. 10 HAL Holding N.V. is deemed to have control over the Company and, accordingly is required to consolidate the Company in its consolidated financial statements as from January 1, 2014 (even though the ownership interest of HAL Holding N.V. in the Company is below 50%). However, as the criteria typically defined as significant by the relevant doctrine and by common practice in order to declare a direction and coordination situation by the controlling company are not met, the Company is still deemed not to be subject to the direction and coordination activity (as such activity is defined under Articles 2497 ff. of the ICC) by other entities, including HAL Holding N.V..

As a general rule, pursuant to Article 2497-sexies of the ICC it is presumed that unless it is proved otherwise, a company is deemed to be under the direction and coordination of the entity which is bound to consolidate the same company in its financial statements, such presumption does not apply in the case at issue for the following main reasons:

- (i) the Company continues to autonomously define its general strategic and operative guidelines and to negotiate independently and in fully autonomy with customers and suppliers; its decision-making process is therefore

carried out independently from the decision-making process of HAL Holding N.V.;

- (ii) the Company is managed by a Board of Directors the majority of whose members are not members of corporate bodies of HAL Holding N.V. or its subsidiaries. Moreover, the Board of Directors also has a sufficient number of independent directors to ensure that their opinions have a significant impact on the judgment and decisions of the Board of Directors;
- (iii) the Company is not subject to any centralized management approach by HAL Holding N.V. which, indeed, according to the report of its Executive Board has not developed a central risk management system, thus allowing each investee company, including the Company, to have its own financial structure and be responsible for evaluating and managing its own risks. Moreover, since HAL Holding N.V. (a) has not included the Company in its management reporting system, which monitors the performance of the investee companies, and, therefore, (b) has no instruction rights with respect to the governance of the Company, HAL Holding N.V. will continue to include the financial results of the Company in the segment “quoted minority interests” of its accounts;
- (iv) although a member of the Executive Board of HAL Holding N.V. is also a member of the Board of Directors of the Company, the information he periodically obtains in this capacity has never been used – and will never be used – for the preparation of the consolidated financial statements of HAL Holding N.V., so as to preserve confidentiality and to allow the Company to operate independently from any of its shareholders. Accordingly, the risk management and internal control systems of the Company, with respect to financial reporting risks, are neither monitored nor managed by HAL Holding N.V..

For the sake of completeness and in the interest of transparency, the consolidation of the Company in the consolidated financial statements of HAL Holding N.V., as requested by the IFRS no. 10, may have a material impact on both companies in terms of accounting reconciliation and consolidation requirements. The Company has therefore agreed with HAL Holding N.V. on certain procedures for the exchange of information, which allow the latter to comply with its (statutory) obligations in preparing its consolidated financial statements on a timely basis, while avoiding any interference with the Company’s accounting standards and relevant interpretations, its administrative and accounting system, as well as its internal control system.

In order to make the aforesaid exchange of information more efficient and expeditious, HAL Holding N.V. and the Company, among other things, have (a) set up a procedure aimed at ensuring, to the maximum possible extent permitted by accounting laws and regulations applicable to each of them, that their financial statements are based on materially the same accounting policies or, whenever it is not possible to fully converge the accounting principles of the Company and HAL Holding N.V., at making the necessary (accounting) adjustments to the financial statements of the Company to be reflected in the consolidated group reporting of HAL Holding N.V.; (b) agreed to review the effect of any newly issued accounting standards (if any) with the objective to converge, where practically and legally possible, the implementation of these new standards in the financial statements of both the Company and HAL Holding N.V.; and, (c) jointly hired an independent financial expert, who, through access to the appropriate management and control bodies of both concerned companies (including, as far as the Company is concerned, the Control Risk and Sustainability Committee and the external auditing firm), is required to reach his own assessments and form an opinion on any accounting/financial matters relating to the Company, which should be taken into account in the consolidation process. This activity of the financial expert (which is not to be deemed as an audit or review of the accounts of the Company) will allow HAL Holding N.V. to comply with IFRS in consolidating its ownership interest in the Company while preserving, at the same time, the current risk management and internal control systems of the Company from any external influence (thus rebutting also any presumption of direction and coordination of HAL Holding N.V. over the Company).

\* \* \*

It is specified that the information required by Article 123-*bis*, first paragraph, letter i) of the CFA relating to directors’ indemnities in the event of resignation, dismissal or termination of employment following a takeover bid, is illustrated in the Report on the Remuneration. Please refer to Report on Remuneration published pursuant to Article 123-*ter* of the CFA and available on the Company’s website.

As regards the information required by Article 123-*bis*, first paragraph, letter l) of the CFA, relating to the rules applicable for the appointment and substitution of directors, of the statutory auditors as well as for amendments to the Articles of Association, if they are different to legislative and regulatory rules, which can in any case be additionally applied, is illustrated in the sections of the Report dedicated to the Board of Directors (Section 4) and to the Board of



Statutory Auditors (Sections 12 and 13).

### **3. COMPLIANCE (ex Article 123-bis, paragraph 2, letter a), CFA)**

With a view to the admission of its shares to trading on the MTA, the Company, firstly in the second half of 2005, and then afterwards, has always adopted all measures deemed necessary and/or appropriate to adapt its corporate governance system to the application criteria included by the Corporate Governance Code in the versions in force from time to time.

The Code can be viewed on the web site of Borsa Italiana S.p.A. (<https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.en.htm>).

In compliance with the regulatory requirements, the Report includes a general description of the corporate governance system adopted by the Company and information of the ownership structure as well as on the adoption of the Code, according to the “comply or explain” principle, set in the section “Main principles and temporary regime”.

\* \* \*

It is pointed out that neither the Company nor its strategically important subsidiaries are subject to non-Italian legal requirements that influence their corporate governance structure.

## **4. BOARD OF DIRECTORS**

### **4.1. APPOINTMENT AND SUBSTITUTION (ex Article 123-bis, paragraph 2, letter I), CFA)**

The appointment and substitution of members of the Board of Directors are governed by Articles 14 and 15 of the Articles of Association, published on the Website in the Investor Relations/Corporate Governance section; in compliance with the Comment to Article 5 of the Code, the appointment of members of the Board of Directors takes place according to a transparent procedure and aiming to assure that the minority elects one Board member.

Articles 14 and 15 of the Articles of Association are shown in full below, in the newly amended version approved by the Board of Directors of the Company on March 11, 2020. The Articles were amended in order to adapt them to the mandatory provisions of Law no. 160/2019, which entered into force on January 1, 2020 and which amended the provisions on gender balance in corporate bodies as introduced into Italian law by law 120/2011:

#### **BOARD OF DIRECTORS**

##### **Article 14)**

*The Company shall be managed by a Board of Directors consisting of between six and fifteen members, who need not be shareholders.*

*The size of the Board of Directors shall be determined by the Shareholders' Meeting.*

*Members of the Board of Directors shall remain in office for three financial years and are eligible for re-election.*

*The directors must satisfy the requirements of eligibility, experience and integrity established by law and other applicable regulations. At least one of the members of the Board of Directors, or two if the Board has more than seven members, must satisfy the independence requirements applying to statutory auditors under current legislation.*

*In accordance with the provisions of Article 147-ter of the Legislative Decree no. 58 of 24 February 1998:*

*(i) to the purpose of ensuring that minority shareholders are represented by one member on the Board of Directors, the Board of Directors is appointed on the basis of lists presented by shareholders containing a maximum of 15 candidates, all listed with a sequential number; and*

*(ii) the mechanism for the election of the Board of Directors set forth in this Article 14 shall in any case ensures balance between genders (masculine or feminine) within the Board of Directors in compliance with applicable pro tempore legislation and regulations in force.*

#### **A) Presentation of lists**

*Lists may be presented only by those shareholders who own, alone or together with others, at the time of presenting the list, at least a percentage of share capital, consisting of shares with voting rights at Ordinary Shareholders' Meetings, set forth by applicable law or regulations governing the directors' appointments. This percentage shall be specified in the notice convening the Shareholders' Meeting called to resolve on the appointment of the Board of Directors. The outgoing Board of Directors can also present a list of its own.*

*No individual/entity attending the meeting, none of the shareholders belonging to a shareholder syndicate relating to the Company's shares as defined by Article 122 of Decree 58/1998, nor the parent company, subsidiaries or companies under common control pursuant to Article 93 of Decree 58/1998, may present or vote for more than one list, including through a third party or trust companies. No candidate may appear in more than one list, otherwise they will be disqualified.*

*If the above rules are not observed by one or more individuals/entities entitled to attend and vote at the Shareholders' Meetings, their vote for any of the lists presented is discounted.*

*The lists presented must be filed at the Company's registered office at least 25 (twenty-five) days in advance of the date set for the single call or first call of the Shareholders' Meeting or within the different deadline set forth by applicable law in force from time to time. This requirement must be mentioned in the notice convening the meeting, without prejudice to any other form of publicity established by legislation in force from time to time.*

*Each list must be signed by those presenting it and filed within the term specified above at the Company's registered office, accompanied by (i) the professional curricula of the candidates, and (ii) statements by each individual candidate accepting their candidacy and confirming, under their own responsibility, that they are in possession of the requirements envisaged by prevailing statutory and regulatory provisions for members of the Board of Directors and the absence of any reasons for incompatibility and/or ineligibility contained in law.*

*Candidates for whom the above rules are not observed are disqualified.*

*The lists presented are made available to the public at the Company's office, on its website and through the other modalities provided for by applicable law and regulations, at least 21 (twenty-one) days before the date of single call or first call of the Shareholders' Meeting convened to resolve on the appointment of the Board of Directors or within the different deadline provided for by applicable law and regulations in force from time to time.*

*Shareholders presenting a list of candidates must also provide the Company, within the deadline for presentation of the list, with the information concerning their own identity and percentage of shares held. The certificate attesting the ownership of at least the minimum shareholding required to present a list of candidates, determined having regard to the amount of shares registered in favour of the concerned shareholders on the same day when the lists are deposited with the Company, can be delivered to same Company also after the deposit of the lists, provided that such certificate is delivered at least 21 (twenty-one) days before the date of first call of the relevant Shareholders' Meeting or within the different deadline provided for by the applicable law in force from time to time.*

*In compliance with the current legislative and regulatory provisions as well as the latest version of the Corporate Governance Code issued by the Corporate Governance Committee, each list shall contain a number of candidates who satisfy the independence requirements for statutory auditors established in Article 148, paragraph 3, of the Legislative Decree no. 58 of 24 February 1998, specifying such candidates clearly.*

*If and until expressly provided by mandatory law and/or regulatory provisions, each list, except for those containing less than three candidates, shall be composed of a number of candidates belonging to the underrepresented gender (masculine or feminine) so that, should such list result as the Directors Majority List (as defined below), from such list a number of Directors belonging to the underrepresented gender are elected in order to ensure balance between genders (masculine or feminine) within the Board of Directors in compliance with the applicable pro tempore legislation and regulations in force.*

*Lists for which the above provisions are not observed shall be treated as if they had not been presented.*

#### **B) Voting**

*The vote of each entitled individual/entity shall refer to the list and hence all the candidates appearing therein, without the possibility of making any changes, additions or exclusions.*

*Once the Shareholders' Meeting has decided the number of directors to be elected, the procedures are as follows:*

1) all the Directors requiring election, but one, shall be elected from the list obtaining the highest number of votes ("Directors Majority List"), in the sequential order in which they appear on that list;

2) one Director shall be elected, in compliance with statutory provisions, from the list obtaining the second highest number of votes ("Directors Minority List"), which shall not be associated in any way, even indirectly, with the individuals/entities who presented and/or voted for the Majority List; the Director elected in this case shall be the candidate at the head of this list. However, if not even one independent Director is elected from the Directors Majority List, then the first independent Director appearing on the Directors Minority List shall be elected in place of the candidate at the head of this list.

In the event of a tie, the entire Shareholders' Meeting will vote again until an unequivocal result is achieved.

The Chairman of the Board of Directors shall be the first candidate appearing on the Directors Majority List.

No account is taken of lists that obtain a percentage of votes corresponding to less than half of that required by this Article for their presentation.

If only one list is presented, or admitted to voting, the Shareholders' Meeting shall vote on this. If this list obtains the required majority vote, the number of directors established by the Shareholders' Meeting shall be elected from it in the sequential order in which the candidates appear therein and subject to compliance, if and until expressly provided by mandatory law and/or regulatory provisions, with the required balance between genders (masculine or feminine) within the Board of Directors.

The Directors Majority List or the only list (as the case may be) shall ensure compliance with the applicable pro tempore legislation and regulations in force regarding balance between genders. In particular, if the composition of the managing body, determined on the basis of the sequence numbers assigned to the candidates of such list, does not include a sufficient number of components of the underrepresented gender (masculine or feminine) – taking also into account, in case of the Directors Majority List, the gender (masculine or feminine) of the candidate elected by the Directors Minority List -, candidates having the lowest sequence number, belonging to the mainly represented gender (masculine or feminine) will be automatically replaced by candidates of the underrepresented gender (masculine or feminine) with the highest sequence number, until the minimum quota required by the applicable pro tempore legislation and regulations in force regarding balance between genders. has been reached.

If no list is presented or the list(s) presented contain(s) a number of candidates (also in terms of underrepresented gender, masculine or feminine) not sufficient to elect the entire managing body, the Board of Directors or, as appropriate, the additional Directors to be elected in order to reach the number of members of the Board of Directors established by the Shareholders' Meeting, shall be appointed by same Shareholders' Meeting with the voting majorities required by law. In each case, it shall be carefully ensured the presence within the Board of Directors of the necessary number of members having all the requirements set forth by applicable laws and regulations, who shall also be selected in such a way as to ensure the presence in the Board of Directors of the minimum quota required by the applicable pro tempore legislation and regulations in force regarding balance between genders.

#### **Article 15)**

If one or more directors should vacate office during the year, the following procedures shall be adopted for their replacement in accordance with Article 2386 of the ICC:

a) the Board of Directors shall appoint replacements by way of co-option of individuals belonging to the same list of the resigned Directors; the next Shareholders' Meeting shall vote with the legally required majorities, in compliance with the same principle and nonetheless ensuring that the Board of Directors contains the correct number of directors qualifying as independent required by current statutory and regulatory provisions. If and until expressly provided by mandatory law and/or regulatory provisions, the Board of Directors shall appoint replacements of the same gender (masculine or feminine) of the ceased Directors, so to ensure the compliance with the applicable pro tempore legislation and regulations in force regarding balance between genders, having also care to ensure that the Board of Directors contains the correct number of Directors having the independency requirements set forth by current statutory and regulatory provisions.

The Shareholders' Meeting, in confirming/replacing the coopted Directors or, in the absence of co-option, in directly proceeding with the appointment of replacements, resolves with the voting majorities set forth by law, having however care of complying with the same principles referred above;

b) if the list no longer contains previously unelected candidates, the Board of Directors shall make the replacement without observing the procedure set out in point (a) above. Similarly, the related vote by the next Shareholders'

*Meeting, again with the legally required majorities, shall nonetheless ensure that the Board of Directors contains the correct number of Directors qualifying as independent required by current statutory and regulatory provisions and, if and until expressly provided by mandatory law and/or regulatory provisions, the required number of Directors belonging to the underrepresented gender (masculine or feminine).*

*If two or more Directors resign or leave the Board of Directors for any other reason, the entire Board will be considered replaced from the date on which the new Board takes office.*

\* \* \*

With regards to the Board of Directors' composition, the Company is not subject to any additional rules, other than those set forth under the CFA.

It is pointed out that, as regards the year 2018, during which the Shareholders' Meeting that elected the Board of Directors was held, the shareholding pursuant to Article 144-quater of the Issuers' Regulation, had been fixed by the CONSOB at 4.5% (resolution 20273 of January 24, 2018).

### **Plan for the succession**

The Board of Directors held on March 13, 2019, upon the proposal of the Remuneration and Nomination Committee, resolved not to adopt a succession plan for the following reasons: (a) the particular structure of the Company's shareholding, which favours rapid decisions in the turnover of the executive directors; (b) the presence within the Board of members with competence, professionalism and knowledge of the Company, such as to make them able to make up to the ordinary and extraordinary management of the Company until new appointment and conferment of powers; and (c) the overall system of delegations and powers of attorney adopted by the Company which mitigates the risk of management gaps and ensures business continuity.

### **4.2 MEMBERSHIP (ex Article 123-bis, paragraph 2, letter d), CFA)**

In accordance with the terms established by Principle 2.P.1. of the Code, the Company's Board of Directors consists of executive and non-executive directors who meet all the requirements of professionalism, the expertise and the experience necessary to perform their duties. It is also pointed out the current composition of the Board of Directors is in line with the law in force on balance between genders.

In particular, the Company is administered by a Board of Directors consisting of six to fifteen members, who need not be shareholders.

On April 24, 2018 the Ordinary Shareholders' Meeting elected the current Board of Directors for the financial years (FYs) 2018-2019-2020 via list voting as established by the Articles of Association and, more precisely, until the Shareholders' meeting convened to approve the financial statements as at December 31, 2020.

On that occasion three lists were presented: (1) List no. 1, filed by the shareholder Multibrands Italy B.V., owner, at the time of said filing, of no. 26,073,783 ordinary shares of the Company, representing, at the time of said filing, 41.69% of the corporate capital entitled to vote at the Meeting consisting of: Eugenio Razelli, Angelo Trocchia, Melchert Frans Groot, Jeffrey A. Cole, Robert Polet, Ines Mazzilli, Cinzia Morelli-Verhoog, Catherine Gérardin-Vautrin and Gerben van de Rozenberg; (2) List no. 2, filed by BDL Capital Management (managing the funds BDL Rempart Europe and BDL Convictions), owner at the time of said filing, of no. 5,926,678 ordinary shares of the Company, representing, at the time of such filing, 9.46% of the corporate capital entitled to vote at the Meeting consisting of Guido Guzzetti; and (3) List no. 3, filed by the shareholders Only 3T S.r.l. in liquidation, owning, at the time of said filing, a total of no. 4,823, 683 ordinary shares of the Company, representing, at the time of such filing 7.70% of the share capital entitled to vote at the Meeting, consisting of Massimiliano Tabacchi.

List no. 1 obtained 62.369836% of the votes in relation to share capital voting at the Shareholders' Meeting, list no. 2 obtained 25.755317% of votes in relation to share capital voting at the Shareholders' Meeting and list no. 3 obtained 11.871360% of the votes in relation to share capital voting at the Shareholders' Meeting.

The following candidates therefore were elected to the Board of Directors: Eugenio Razelli, Angelo Trocchia, Melchert Franz Groot, Jeffrey A. Cole, Robert Polet, Ines Mazzilli, Cinzia Morelli-Verhoog, Catherine Gérardin-Vautrin, Guido Guzzetti. In addition, on April 24, 2018, the Board of Directors appointed Angelo Trocchia as Chief Executive Officer.

For more information on the appointment of the current Board of Directors, reference should be made to the press releases and the documentation drawn up according to the applicable law, which is available on the Website in the Investor Relations section.

Table 2 shows the membership of the Board of Directors at the end of the Financial Year on December 31, 2019.

The Directors' *curricula vitae*, which detail the positions held in other companies, particularly in other companies listed on regulated markets (including foreign markets), and in financial, bank, insurance or large companies, identified according to the criteria established by the Board of Directors, are available on the Website in the IR/Corporate Governance section and are annexes to the present Report.

### **Policy on Diversity (Board of Directors)**

Pursuant to Article 123-bis, paragraph 2, letter d-bis) of CFA, the Board of Directors of the Company, upon proposal of the Remuneration and Nomination Committee, adopted on December 10, 2018 a diversity policy of the Board of Directors ("**BOD Diversity Policy**") describing the Board of Directors' composition features deemed optimal for allowing it to perform its duties in the most efficient way, taking decisions which may benefit from the contribution of a variety of qualified views so that the issues under discussion are considered from different perspectives.

The Company's Board of Directors believes that the following criteria should be followed with regards to its composition:

- (i) the majority of Directors should be non-executive: non-executive Directors enrich the Board's discussion with competences formed outside the Company which contribute to nourish the dialectics that is the distinctive precondition for a meditated informed corporate decision;
- (ii) at least a third of the Board of Directors, both upon its election and during the term, should be composed by Directors of the less represented gender, also in the future after the provisions of the law on gender balance cease to be in force and this will become a recommendation under the Code of Corporate Governance of Borsa Italiana; where the application of gender division criteria does not result in a whole number of members of the Board of Directors belonging to the less represented gender, this number is rounded up;
- (iii) taking into account the Group's business, it is recommended that Directors have preferably gained competences in economic, financial, accounting, risk management, marketing, digital innovation or sustainability matters, such as to ensure a mix of different and complementary skills and experiences; the international profile, assessed on the basis of the managerial, professional or institutional activities carried out in an international context by directors (regardless of nationality), is likewise considered important;
- (iv) diversity in relation to age is not deemed an important aspect to be taken into account as the composition of the Board of Directors with different managerial and professional profiles already allows a balanced plurality of perspective while, in relation to tenure, considering the complexity of the eyewear industry and of the different market needs, the continuity and the specific knowledge acquired is considered an important added value.

The Company's BOD Diversity Policy primarily intends to guide the submission of lists of candidates by the shareholders upon renewal of the entire Board of Directors and the expressions of the related vote in the Shareholders' meeting.

The BOD Diversity Policy will be taken into account by:

- 1) the Remuneration and Nomination Committee, whenever it is called (i) to express opinions to the Board of Directors regarding the size and composition of the same and to submit recommendations with regard to the managerial and professional profiles necessary within the Board and (ii) to propose to the Board of Directors candidates for the Board itself pursuant to the applicable provisions of the Committee's Regulations and in compliance with the relevant provisions of the Articles of Association;
- 2) the Board of Directors, on the occasion of reporting its view to shareholders on the managerial and professional profiles deemed appropriate for the composition of the Board of Directors, prior to its nomination, taking into account

the outcome of the board review process carried out every year pursuant to Article 1.C.1, letter g) of the Code.

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

In compliance with the Application Criterion 1.C.3. of the Code, the Board of Directors of August 2, 2018 expressed its opinion on the maximum number of positions as director or statutory auditor held in other listed companies (including foreign markets) and at financial, bank, insurance or large companies (namely those whose total assets or turnover exceed Euro 500 million) that could be compatible with effective performance of office as a director of the Company.

In particular, the Board of Directors deemed it compatible with effective performance of the office of director of the Company the following roles:

- for the Chief Executive Officer: to hold a maximum of 2 non-executive roles to be accepted in consultation with the Remuneration and Nomination Committee whether complementary and synergistic with his executive roles within the Group;
- for non-executive directors: to hold a maximum of 7 roles as non-executive director, independent director or statutory auditor and 2 executive roles (including their role in the Company and companies of the Safilo Group), considered in their discretion compatible with the performance of their duties, taking also into account their participation in the internal committees of the Company.

The Board also set a prohibition from interlocking directorship for the Chief Executive Officer (i.e. prohibiting him from being a director in a company - other than a company of the Safilo Group - where another director of the Company serves as Chief Executive Officer).

We specify that the number of roles of each of the current members of the Board of Directors complies with the above-mentioned criteria.

### **Induction programme**

The Company implements initiatives aimed at increasing the knowledge of the members of the Board of Directors and of the Board of the Statutory Auditors, of the corporate operations and dynamics, including – for instance – visits to the other Group companies of strategic importance or to the main plants. With reference to an update on the legal and self-governance framework, these items are discussed during the meetings of the Board of Directors.

### **4.3. ROLE OF THE BOARD OF DIRECTORS (ex Article 123-bis, paragraph 2, letter d), CFA)**

In accordance with Principles 1.P.1 and 1.P.2. of the Code, the Company is governed by a Board of Directors, which plays a central role in its corporate governance system, in particular in organising, orienting and managing the Company in order to accomplish the corporate purpose, maximise shareholder value over a medium/long term – and also in view of sustainability - and ensure that the expectations of the stakeholders are met.

Pursuant to Article 17 of the Articles of Association, the Board of Directors meets whenever the Chairman deems it necessary, or when so requested by at least two of its members, or by a Chief Executive Officer or by at least one member of the Board of Statutory Auditors.

It is established that meetings of the Board of Directors are to be held at least four times a year, at intervals not exceeding a quarter, and whenever the Chairman deems it necessary or a request is made as specified above.

Pursuant to Article 20 of the Articles of Association, the Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the Company without any limitation, except for the matters reserved by law as the prerogative of the Shareholders' Meeting. It is also the Board of Directors' prerogative to pass resolutions regarding (i) mergers in the cases specified in Articles 2505 and 2505-bis of the ICC, (ii) demergers as specified in Article 2505-bis of the ICC, as referred to in Article 2506-ter of the ICC, (iii) the opening or closing of secondary locations, (iv) reduction of the share capital in the event of shareholder withdrawal, (v) amendment to the Articles of Association to comply with regulatory provisions, and (vi) transfer of the Company's registered office to another location in Italy.

Furthermore, pursuant to Application Criterion 1.C.1. of the Code, it was firstly decided with the resolution of March

23, 2007, as subsequently amended, that the Board of Directors should:

- (1) examine and approve the strategic, business and financial plans of the Company and the Group that it heads, monitoring its implementation, define the Company's corporate governance system and the Group's structure;
- (2) define the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, including in its evaluation all risks that might become significant within the framework of the sustainability of the Company's activities in the medium-long term;
- (3) evaluate the adequacy of the organisational, administrative and accounting set-up of the Company and of its strategically important subsidiaries, devised by the Chief Executive Officers, with special reference to the internal control and risk management system;
- (4) delegate executive powers to directors and revoke them, defining their limits and the procedures for their exercise, and establishing the intervals, not exceeding a quarter, at which the bodies holding delegated powers must report to the Board of Directors on the activities performed in the exercise of the powers granted to them;
- (5) after examining the proposals of the Remuneration and Nomination Committee and consulting with the Board of Statutory Auditors, determine the compensation of the Chief Executive Officers and the directors provided with special assignments, pursuant to Article 2389 par. 3 of the ICC;
- (6) evaluate general operating performance and periodically compare actual versus planned results;
- (7) examine and approve in advance transactions of the Company and its subsidiaries, if the said transactions are of significant strategic, economic, capital or financial importance to the Company;
- (8) express its opinion, at least once a year, on the size, composition and performance of the Board of Directors and its committees. Taking into account the aforementioned evaluation, report to the shareholders, prior to the appointment of the new Board, an opinion on the professional and managerial figures whose presence on the Board is considered opportune;
- (9) supply information in the Corporate Governance Report about the procedures for application of the criteria established by the Code on the role of the Board, composition and performance of the Board;
- (10) report to the Board of Statutory Auditors, at least quarterly, on the work done and on the most significant transactions.

\* \* \*

In the Financial Year, the Board of Directors, met a total of 20 times and the average length of each meeting was approximately 1.40 hours. The average attendance of directors at the above-mentioned meetings was 92%.

Whenever the items on the agenda require so, the Board of Directors' meetings are attended by the managers of the Company or the Group, in order to provide the proper in-depth studies.

The annual calendar of corporate events for the Financial Year was notified to Borsa Italiana S.p.A. and published on the Website, by the date specified in the Stock Market Regulations. The calendar gives the dates of Board meetings to approve annual and interim results. 8 meetings of the Board of Directors are scheduled for the current year, 4 of which for the approval of the periodical financial reports, one of which has already been held on March 11, 2020, for the approval of the draft and consolidated financial statements. During the Financial Year 2020, 4 additional Board of Directors meeting were held (respectively on January 30, 2020, February 6, 2020, March 11, 2020 and March 18, 2020).

\* \* \*

The Chairman shall ensure that the Board is supplied in a timely and appropriate manner with the documentation and information required to enable the Board to express an informed opinion on the subjects submitted for its examination and approval. The supply of the documentation and information to the Directors shall occur in a timely manner and prior to the date of the Board meeting, usually contextually with the sending of the notice of call, seven days before the meeting. Such deadline is normally met.

In relation to 2019, it is however pointed out that, taking into account that business needs required the calling with urgency of several meetings of the Board of Directors (i.e. with two-day notice), in those cases also the supply of the pre-meeting documentation was reduced to two days. In any case, the pre-reading documentation was always satisfactory and adequate enough to always enable the Board of Directors to take reasoned and informed decisions.

It is hereby finally pointed out that the pre-meeting documentation normally includes confidential information, the confidentiality of which is guaranteed by means of a dedicated platform for the upload of the Board of Directors' pre-reading material with access restricted by a password.

The Chairman and the Chief Executive Office shall ensure that an appropriate time is committed to the discussion of items on the agenda, encouraging a constructive debate and Directors' participation on it at the meetings.

\* \* \*

Pursuant to Application Criterion 1.C.1. letter c) of the Code, at the meeting held on March 11, 2020 the Board of Directors expressed a positive assessment of the adequacy of the organisational, administrative and accounting set-up of the Company and its strategically important subsidiaries, with special reference to the internal control and risk management system, also in relation to the timely detection of business crisis and the loss of business continuity taking into account the favourable opinion of the Control Risk and Sustainability Committee (based on the information, evidence and evaluations received from the Director Global Internal Audit, the Manager responsible for the preparation of the company's financial documents, the Director in charge of internal control and risk management system and Enterprise Risk Manager).

\* \* \*

The Board of Directors, during the meeting held on August 2, 2018, in order to identify strategically important subsidiaries, determined 3 quantitative criteria (weight above 15% of total Group aggregate value - including intercompany amounts - of one of the following: (i) assets or (ii) last twelve months Ebitda or (iii) last twelve months' turnover) and 1 qualitative criteria (being the strategic importance of the company within the Safilo Group or the market).

By applying the said criteria, the following Group companies have been identified as being strategically important: Safilo S.p.A. (Italy), Safilo USA Inc. (USA), Smith Sport Optics Inc. (USA), Safilo d.o.o. Ormož (Slovenia), Safilo Eyewear (Suzhou) Industries (China), Safilo Far East Ltd. (Hong Kong).

\* \* \*

In compliance with the Consob Resolution no. 17721 of March 12, 2010, as subsequently amended, the Board of Directors held on November 5, 2010 approved the "Regulations for transactions with related parties" ("**TRP Regulations**"), amended on August 2, 2017, which contain rules in order to guarantee the transparency and the substantial and the procedural correctness of transactions with the related parties.

The TRP Regulations are available on the Website in the Investor Relations/Corporate Governance section.

\* \* \*

Pursuant to Application Criterion 1.C.1. of the Code, the Board of Directors carries out, on a yearly basis, a process of self-appraisal of the size, composition and performance of the Board of Directors itself and of its Committee, taking into account certain aspects such as the professional competence, managerial experience and gender of its members, as well as their seniority as directors.

Starting from the Financial Year 2018, such self-appraisal process also took into account the diversity criteria established under Article 2 of the Code and formalized and implemented by the Company through the adoption of a Diversity Policy of the Board of Directors approved on December 10, 2018.

This process is performed on the basis of a questionnaire ("**Questionnaire**") prepared by Corporate and Legal Affairs Department and submitted to the individual directors, to assess both the operational efficiency of the Board of Directors and its committees and their effectiveness in pursuing their aims. The Questionnaire consists of two parts: the first relates to objective aspects such as the size, membership and operation of the Board of Directors and its committees, and the second to the aspects on which directors are asked to express their subjective opinion. The



Questionnaire permits assessment of the following macro-areas: 1) membership of the Board of Directors; 2) management of the meetings of the Board of Directors; 3) Board of Directors' committees functioning; 4) "internal" interactions, namely how relations between the Board of Directors and the Chief Executive Officer and, more generally, those between the Board of Directors and management work; and 5) "external" interactions, namely the workings of relations between the Board of Directors and the Company's stakeholders, i.e. shareholders, employees, customers, and suppliers, etc.

The Questionnaire also contains a final section aimed to highlight further possible topics, different from those examined in the other sections, to be submitted to the attention of the Chairman of the Board of Directors.

The Board of Directors, also for the Financial Year, has concluded the process of self-appraisal of its performance assessing it generally positive.

In carrying out the self-assessment process, the Board of Directors was supported by the Remuneration and Nomination Committee, no external advisor was involved in the process.

It is pointed out that the Shareholders' Meeting did not authorize, in a general and preventive manner, any exception to the non-competition rule set forth under Article 2390 of the ICC.

#### **4.4 BODIES HOLDING DELEGATED POWERS**

##### **Chief Executive Officers**

On 24 April 2018, the Board of Directors appointed Angelo Trocchia as Chief Executive Officer, vesting him with the following powers and duties, which he may sub-vest within the limits permitted by the Articles of Association and by the applicable legal and regulatory provisions:

- a. management functions, and related decision-making powers, to be exercised within the limits of the matters reserved by law to the Board of Directors, management direction and coordination, direction and monitoring of the activities of the Company and of the Group;
- b. the duty to manage activities relating to the internal audit of the Company and of the Group, including the application and implementation of Legislative Decree No 231 of 8 June 2001 on the administrative liability of legal persons, also appointing him as Director in charge of the internal audit and risk management system;
- c. the duty to manage, independently and with the broadest decision-making and spending powers, also in the capacity of an 'employer' within the meaning of Legislative Decree No. 81 of 9 April 2008, as subsequently amended, every aspect and every requirement relating to current and future obligations in relation to: (i) health and safety at the workplace, (ii) accident prevention and (iii) environmental protection;
- d. the duty to manage all necessary or even only useful requirements in order to fulfil the obligations required by the rules applicable from time to time in relation to the protection of personal data (including Regulation (EU) 2016/79);
- e. the duty to coordinate and monitor all reporting functions, ensuring that resources are adequate in relation to needs.

The performance of the duties above and the exercise of the related powers, to be exercised in accordance with the budget established by the Board, must comply with the direction of the activities of the Company and of the Group, as defined by the Board of Directors.

The Chief Executive Officer reports to the Board of Directors about the activities carried out in the exercise of such duties as required by law and by the Articles of Association, and at least every quarter.

It is specified that there is not any interlocking directorate situation.

##### **Chairman of the Board of Directors**

The Board of Directors appointed Eugenio Razelli as Chairman on April 24, 2018.

The Chairman of the Board of Directors is not assigned delegation of management functions.

\* \* \*

## **Reports to the Board**

In accordance with Application Criterion 1.C.1. letter d) of the Code, operationally delegated directors (i.e. executive directors) must report to the Board of Directors and the Board of Statutory Auditors about the activities performed, and transactions of the greatest economic significance, at the first possible meeting, at intervals not longer than a quarter. In particular, they must report on any transactions involving potential conflicts of interest.

## **4.5 Other Executive Directors**

The Board of Directors does not include any further director to be deemed as executive by virtue of offices held in the Company and the Group.

## **4.6 INDEPENDENT DIRECTORS**

As at December 31, 2019, the Board of Directors is composed of, in their capacity as independent directors, Catherine Gérardin-Vautrin, Guido Guzzetti, Ines Mazzilli and Cinzia Morelli-Verhoog.

When the candidate lists were submitted, and then at the Board of Directors meeting held on April 24, 2018 after the Shareholders' Meeting that appointed them, the above-mentioned directors and the director Jeffrey A. Cole declared that they satisfied the requirements to be qualified as independent directors pursuant to Article 3 of the Code and Articles 148 paragraph 3 and 147-ter paragraph 4 of the CFA.

Such information was disclosed to the marked by means of a press release on April 24, 2018.

The Board of Directors, in addition to evaluating, at the earliest possible opportunity after its appointment, the meeting of the independence requirements provided by the Code for each non-executive director, periodically checks the independence of the non-executive directors by applying all the Code's criteria; for the purpose of the said periodical evaluation, it has established that the independent directors must submit to the Board of Directors and the Board of Statutory Auditors an annual written declaration certifying that they still meet the requirements which allowed them to be classed as independent at the time of their appointment.

It is hereby pointed out that, on February 22, 2019, the Director Jeffrey A. Cole declared that, starting from March 29, 2019 he no longer qualified as an independent director as, even though he still met the legal requirement set forth under Article 147 ter, paragraph 4, of CFA, he no longer met the requirements set forth under Article 3 of the Code being a director of the Company for more than nine years in the last twelve years.

At the meeting held on March 11, 2020, the Board of Directors received the above-mentioned written declarations from the independent directors and, confirmed that the requirements of independence are still met by the directors Catherine Gérardin-Vautrin, Guido Guzzetti, Ines Mazzilli and Cinzia Morelli-Verhoog also for the Financial Year, by applying all the Code's criteria.

\* \* \*

The Board of Statutory Auditors has checked that the criteria and investigation procedures used by the Board to evaluate the independence of its members (Application Criterion 3.C.5.) are correctly applied and expressed a favourable opinion.

During the Financial Year the independent directors met once, on March 12, 2019.

#### 4.7 LEAD INDEPENDENT DIRECTOR

The Company did not deem advisable to appoint a “lead independent director”.

#### 5. PROCESSING OF COMPANY INFORMATION

As provided by Application Criterion 1.C.1. letter j) of the Code, on March 23, 2007 the Board of Directors, approved the “Internal Regulations for Corporate Information”, which consolidated in a single document (1) the procedure for internal management and external communication of documents and information relating to the Company and the Group, with special reference to price-sensitive information, initially approved with the resolution of December 6, 2005 and subsequently updated; (2) the “Code of Conduct” approved with the resolution dated September 14, 2005 and subsequently amended by the resolution dated March 28, 2006; and (3) the procedure relating to the establishment, management and updating of the Register of persons with access to privileged information (the “Insiders’ Register”), as per the Board resolution passed on March 28, 2006.

These Regulations were amended and integrated, respectively by the resolution of the Board of Directors of the Company held on August 4, 2015, on August 3, 2016, and August 2, 2017.

Lastly, in the light of the evolution of the related legal framework, and following the approval of two new stand-alone Internal dealing procedures and the repeal of Section I/B of the Internal Regulations as approved by the Board of Directors on April 30, 2019, the Board of Directors approved, on November 12, 2019, a new “Procedure for the Management and Dissemination of Inside Information” replacing the previous Internal Regulations for Corporate Information and aiming to:

- take into account the Guidelines for the Management of Inside Information (“*Linee Guida – Gestione delle informazioni privilegiate*”), issued by Consob on October 2017;
- better clarify the internal procedures for the identification and management of relevant and inside information, also in terms of roles and responsibilities and information flows;
- simplify the structure of the different phases of management of relevant and inside information; and
- better align the procedure for the management of the Insider List to the Market Abuse regulatory framework and the related implementing rules.

A copy of the said Regulations is available on the Website in the IR/Corporate Governance section (<http://investors-it.safilogroup.com/corporate-governance/governance-documents>).

#### 6. BOARD OF DIRECTORS’ COMMITTEES (ex Article 123-bis, paragraph 2, letter d), CFA)

In a resolution dated September 14, 2005, the Board of Directors, pursuant to Articles 10.1 and 8.1 of the Corporate Governance Code of 2002, set up the Internal Control Committee and the Remuneration Committee.

The Board of Directors, on December 6, 2012 pursuant to the Code requirements, (i) established a nomination committee, that was merged, pursuant to Article 4 of the Code, with the already established Remuneration Committee, which, for that, was renamed as “Remuneration and Nomination Committee”, and (ii) renamed the Internal Control Committee as “Control and Risk Committee”. Furthermore, the Board, on December 13, 2016, within the framework of the implementation of the amendments to the Code re-named the Control and Risk Committee “Control Risk and Sustainability Committee”.

Both these committees were lastly newly appointed on April 24, 2018 after the meeting that elected the current Board of Directors.

As far as the Transactions with Related Parties Committee is concerned, please make reference to Section 11 “Directors’ interests and related-party transactions”.

No committees other than those envisaged by the Code have been set up.

## 7. REMUNERATION AND NOMINATION COMMITTEE

As at December 31, 2019 the Remuneration and Nomination Committee had 3 members, the majority of which independent: two independent and non-executive directors, Catherine Gérardin-Vautrin (Chairman) and Cinzia Morelli-Vehoog, and a non-executive director, Jeffrey A. Cole, possessing accounting and financial and/or remuneration policy experience considered adequate by the Board at the time of their appointment.

It is pointed out that, starting from March 29, 2019 the director Jeffrey A. Cole no longer qualified as an independent director pursuant to Article 3 of the Code. As a consequence, on March 13, 2019 the Board of Directors amended the composition of the Remuneration and Nomination Committee in order to maintain compliance with the provisions of the Code, as also implemented in the Regulations of the said Committee, according to the above. The Chairman of the Committee will be chosen among the independent directors at the first possible meeting of the Remuneration and Nomination Committee.

The Remuneration and Nomination meetings are presided by its Chairman, who notifies the Board of Directors of all activities it carries out at the first possible Board meeting.

The Committee is convened, for the performance of its duties, by the Chairman any time he/she deems it necessary - on his/her initiative or following a written request from at least one of its members – and in any case at least on a half-yearly basis or upon request of the Chairman of the of the Board of Statutory Auditors or ore the Chairman of the Board of Directors or the Chief Executive Officer.

The Chairman of the Board of Statutory Auditors attends the meetings of the Committee, he/she can designate another standing statutory auditor to be present at the meeting on his/her behalf; in any case the remaining statutory auditors are allowed to attend.

The Chairman may – from time to time – invite to attend the meetings of the Committee, without voting rights, the Chairman of the Board of Directors and/or persons that are not members of the Committee, with reference to specific items on the agenda, as well as members of the company structure or third parties whose presence might facilitate the functioning of the Committee itself.

### **Functions of the Remuneration and Nomination Committee (ex Article 123-bis, paragraph 2, letter d), CFA)**

With reference to the appointment of directors, the Committee has been vested with the following functions:

- (i) to express opinions to the Board of Directors regarding the size and composition of the same, also by assisting the Board in the self-evaluation process of the Board itself and the internal Committees, and to submit recommendations with regard to the managerial and professional profiles necessary within the Board;
- (ii) to express opinions to the Board of Directors regarding the limits on the maximum number of offices in the management and control bodies of other companies which is considered compatible with an effective performance of the directors' duties;
- (iii) to submit recommendations to the Board of Directors with regard to any critical issue related to the non-competition obligation of the directors pursuant to Article 2390 of the Italian Civil Code if the shareholders' meeting, when dealing with organisational needs, has authorised on a general, preventive basis, derogations from such rule;
- (iv) to propose to the Board of Directors candidates for the Board of Directors, in compliance with the relevant provisions of the Articles of Association, taking into account any suggestions received from the shareholders:
  - a. in case of co-option of independent Directors,
  - b. if, in the event of renewal of the Board of Directors, it is foreseeable that it is not possible to draw from the lists received by the shareholders the number of directors requested, so that the exiting Board can in this case submit its candidates to the shareholders' meeting;
  - c. where, in the event of a renewal of Board of Directors, the exiting Board of Directors decides to file its own list for the appointment of the new Board of Directors;

(v) to carry out the preliminary activities with regard the succession plans of the executive managers.

With reference to the remuneration of directors and managers with strategic duties the Remuneration and Nomination Committee is vested with the following functions:

- (i) to submit to the Board of Directors a policy for the remuneration of the directors and of the managers with strategic responsibilities;
- (ii) to submit to the Board of Directors proposals and opinions on the remuneration of the managing directors and of the other directors provided with special assignments as well as to set the performance targets linked to the variable component of their remuneration, monitoring the application of the resolutions of the Board itself and, in particular, the actual achievement of the performance objectives;
- (iii) to periodically evaluate the adequacy, overall consistency and actual application of the remuneration policy of directors and managers with strategic responsibilities, on the basis of the information provided by the managing director with regard to the implementation of this policy in relation to managers with strategic responsibilities and submitting general recommendations on the subject to the Board;
- (iv) with reference to stock options and other share-based incentive systems for executive directors and managers with strategic responsibilities, it submits proposals to the Board of Directors regarding their use and any relevant technical aspects related to their preparation and implementation, monitoring the actual implementation over time of the plans approved by the shareholders' meeting upon proposal of the Board of Directors.

During 2019, the Remuneration and Nomination Committee met 4 times, with an average meeting length of about 1.2 hours. The average attendance of committee members at meetings was 83%.

For the current Financial Year 2020, as of today 2 meeting of the Remuneration and Nomination Committee were held on January 28, 2020 and March 10, 2020. The additional meetings of the above-mentioned Committee to be held in 2020 have not yet been fixed.

\* \* \*

In accordance with the rules of the Code, the Committee's Regulations state that no director may attend Committee meetings at which proposals relating to his/her remuneration are made to the Board, unless the proposals relate to the members of the Committees within the Board of Directors in general.

During the FY in question, the Remuneration and Nomination Committee:

with specific reference to the remuneration themes, *inter alia*:

- expressed its opinion and/or proposal on: (i) the assignment of the performance objectives of the Short Term Achievement Reward (STAR) Programme for the Chief Executive Officer ; (ii) some amendments to the 2017-2020 Plan, (iii) the options of the third tranche of the 2017-2020 Plan to be granted to the Chief Executive Officer (iv) the Chief Executive Officer's definition of the Group's managers to be granted options;
- submitted to the Board of Directors the proposal of the remuneration policy of the Directors and of the managers with strategic responsibilities and expressed its opinion on the adequacy, overall consistency and actual application of the same policy.

with specific reference to the nomination themes:

- expressed its opinion on (i) the size and composition of the Board of Directors following the annual self-assessment process, (ii) the assignment of termination indemnities to executive directors and managers with strategic responsibilities to be included in the Remuneration Report, (iii) the possible adoption of a succession plan.

\* \* \*

Pursuant to Principle 4.C.1.d of the Code and to the Committee Regulation, minutes of its meetings are recorded and transcribed in the Committee book.

In performing its functions, during the Financial Year, the Remuneration and Nomination Committee had access to the corporate information and functions necessary to carry out its duties and, if necessary, access to external consultants at the Company's expense, as well as the authority to use appropriate financial resources for carrying out its duties, in accordance with the terms established by the Board of Directors.

The Chairman of the Board of Statutory Auditors was invited to attend to all the meeting of the Remuneration and Nomination Committee and she appointed a representative of the Board of Statutory Auditors whenever she could not attend.

The Board of Directors held on April 24, 2018 resolved not to set an ad hoc budget for Committee but to provide from time to time any need for expenses that should be made necessary.

## 8. DIRECTORS' REMUNERATION

Any information about the remuneration policy as well as on the remuneration of the directors and managers with strategic responsibilities with reference to the financial year 2019 is contained in the Report on the Remuneration.

\* \* \*

The remuneration of non-executive directors is not linked to the economic results achieved by the Company.

The non-executive directors are not beneficiaries of share-based incentive plans, with the exception of the Chairman of the Board of Directors, Eugenio Razelli, who was granted options, on an exceptional basis in 2017, under the 2017-2020 Stock Option Plan because of the role temporarily assigned to Mr Razelli to support the management, then in office, in the preparation of proposals to be made to the Board of Directors on certain specific issues.

The remuneration of non-executive directors is determined taking into account the standard practice in companies similar to the Issuer.

\* \* \*

The incentive mechanisms of the Director Global Internal Audit and of the Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) are consistent with the functions assigned to both of them.

### **Payments to Directors in the event of resignation, dismissal or termination of employment due to a takeover bid (ex Article 123-bis, paragraph 1, letter i) CFA)**

For any information on payments to directors in the event of resignation, dismissal or termination of employment due to a takeover bid, reference should be made to the detailed information contained in the Report on Remuneration.

## 9. CONTROL RISK AND SUSTAINABILITY COMMITTEE

The current Control Risk and Sustainability Committee appointed by the Board of Directors held on April 24, 2018, is composed of the directors Ines Mazzilli (Chairman), Guido Guzzetti and Melchert Frans Groot, all non-executive directors, the first two are also independent, all of them having adequate experience in the area of accounting and finance as well as risk management.

The Control Risk and Sustainability Committee meetings are presided by its Chairman, who notifies the Board of Directors of all activities it carries out at the first possible Board meeting.

\* \* \*

The Committee is convened by the Chairman any time he/she deems it necessary, - on his/her initiative or following a written request from at least one member - and in any case at least 2 (two) a year, as well as upon request of the Chairman of the Board of Statutory Auditors or of the Chairman of the Board of Directors or of the director in charge of the internal control and risk management system the Group Chief Financial Officer or of the Director Global Internal

Audit, and always prior to the Meeting of the Board of Directors called to resolve upon the approval of the annual financial statements and the half-year report.

The Chairman of the Board of Statutory Auditors attends the meetings of the Committee, she can appoint another standing Statutory Auditor to be present at the meeting on her behalf; in any case the other standing Statutory Auditors may participate. Furthermore, the Chief Financial Officer attends the meetings of the Committee, without voting rights.

The Chairman may invite to attend the meetings of the Committee, without voting rights, the Chairman of the Board of Directors, the director in charge of the internal control and risk management system, the managers of the audit company appointed from time to time and/or, with reference to specific items on the agenda, also other persons including directors or members of the Company structure or third parties whose presence may be of help in the better performance of the Committee's functions.

### **Functions attributed to the Control Risk and Sustainability Committee**

In accordance with Application Criterion 7.C.2. of the Code, the Control Risk and Sustainability Committee, in assisting the Board of Directors, performs, inter alia, the following consultative and recommendation functions:

- (1) together with the Company's Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) and after consulting the independent auditors and the Board of Statutory auditors, it evaluates the correct use of the accounting principles and their consistency for the purpose of drafting the consolidated financial statements;
- (2) it expresses opinions on specific aspects relating to identification of the Company's principal risks;
- (3) it examines the periodic reports related to the evaluation of the internal control and risk management system, and the reports of particular importance drawn up by the internal audit function;
- (4) it monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
- (5) it requests the internal audit function to perform evaluations on specific operative areas, at the same time informing the Chairman of the Board of statutory auditors and the director in charge of internal control and risk management system, except in cases where the object of the evaluations are activities specifically carried out by the above-mentioned persons;
- (6) it reports to the Board of Directors, at least on a half-yearly basis, on the occasion of the approval of the annual financial statements and the half-year report, on the activities carried out, as well as on the adequacy of the internal control and risk management system;
- (7) it supports, with adequate preliminary activities, the evaluations and decisions of the Board of Directors regarding the management of risks deriving from detrimental facts the Board of Directors has become aware of;
- (8) it shares with the External Auditors its considerations about the annual audit plan in relation to both financial and non-financial consolidated reports;
- (9) it performs any additional duties that are assigned to it by the Board.

The Committee is also responsible for giving its prior favourable opinion on the proposals of the director in charge of the internal control and the risk management system regarding (i) the appointment and dismissal of the Director Global Internal Audit; (ii) the adequacy of the resources assigned to the same for the performance of his/her duties; and (iii) the determination of his/her remuneration in compliance with the corporate policy.

The Board of Directors, during the meeting held on December 13, 2016, and even if the Company does not belong to the FTSE-Mib index, resolved to allocate the supervision of the sustainability matters related to the performance of the Company's business and to the interaction with its stakeholders to the Control Risk and Sustainability Committee.

In the light of the above, the Committee has also the duty to support the Board of Directors through adequate preliminary activities, having proposing and consultative functions, in the decisions relating to sustainability.

In this regard, the Committee shall also:

- (a) supervise sustainability issues related to the relevant business and to its interactions with all the stakeholders,

mainly focusing on the following areas: environment, work practices, human rights, social responsibility, product responsibility;

- (b) examine the non-financial report drafted pursuant to Legislative Decree No. 254, December 30, 2016, verifying:
  - 1) the general layout of the consolidated non-financial report and the development of the related contents;
  - 2) the materiality analyses aiming at identifying relevant information in relation to the business profile and the corporate strategies;
  - 3) the adequacy of the tools related to the planning and reporting of the non-financial data;
  - 4) the adequacy of the internal control system related to the management of non-financial data;
  - 5) the completeness and transparency of the information provided by means of the non-financial report as well as the correct application of the reporting standards, issuing, in this regard, a prior opinion to the Board of Directors that shall approve such report;
- (c) support the Board of Directors in the definition of the sustainability strategy, also through:
  - 1) the development of an action plan to address the relevant sustainability items;
  - 2) the definition and adoption of a model for the measurement of the distribution among the stakeholders of the economic value generated by the Company;
  - 3) the formulation of specific corporate policies and the allocation of an adequate annual budget;
- (d) overseeing the evolution of sustainability also in the light of the related international guidelines and principles, monitoring:
  - 1) the implementation of the sustainability vision approved by the Board of Directors;
  - 2) the Group positioning on the market with reference to sustainability topics (such as for example green bonds, participation and inclusion in sustainability indexes, ESG principles and performance);
  - 3) initiatives involving local communities
  - 4) the socio-environmental impact of corporate activities.

\* \* \*

The Control Risk and Sustainability Committee met 7 times in 2019, with an average meeting length of approximately 3.4 hours. The average attendance of the Directors at the meetings was 100%.

During the Financial Year, the Committee evaluated adequacy of the internal control and risk management system and then reported to the first Board of Directors' meeting accordingly.

During the Financial Year, the Committee evaluated the adequacy of the internal control and risk management system on the basis of the examination of the periodic reports and evaluations by the Director Global Internal Audit who carried out its audit activities, according to a structured 2019 Internal Audit Plan (approved by the Board of Directors on December 10, 2018). Moreover, the Board of Directors approved the 2020 Internal Audit Plan on December 10, 2019) and it helped identify some improvement actions, implemented by the Company's management. Furthermore, the Manager responsible for Enterprise Risk Management and the Director in charge of the internal control and risk management system, periodically reported to the Committee.

The Committee and the Board of Statutory Auditors, during the Financial Year, received information, evidence and evaluations by the Director Global Internal Audit who, not only periodically reported the main results of the internal audit activities, but she also promptly related to the above-mentioned bodies regarding the corporate risks and the relevant improvement plans.



During the Financial Year, the Committee examined the periodic reports and evaluations by the Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*), the periodic updates by the Board of Statutory Auditors and the periodic reports and evaluations by the Independent Auditors.

Six (6) meetings of the Control Risk and Sustainability Committee are scheduled for the current Financial Year 2020, three of which have already been held on February 3 and 24 and March 10, 2020.

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In accordance with Application Criterion 4.C.1. d) of the Code and with the Committee Regulation, the meetings are documented in minutes and transcribed in a specific Committee book.

The Chairman of the Board of Statutory Auditors was invited to attend to all the meeting of the Control Risk and Sustainability and she appointed a representative of the Board of Statutory Auditors whenever she could not attend.

In performing its functions, the Committee had access to the corporate information and functions necessary to carry out its duties and, if necessary, access to external consultants at the Company's expense, as well as the authority to use appropriate financial resources for carrying out its duties.

The Board of Directors held on April 24, 2018 resolved not to set an ad hoc budget for Committee but to provide from time to time any need for expenses that should be made necessary.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system is the set of rules, procedures and organisational units of the Company and Group designed to achieve the identification, the measurement, the management and the monitoring of the main risks, whose adequacy is subject to the control of the Director Global Internal Audit. The internal control and risk management system also meets the need to safeguard the Company's equity, the efficiency and effectiveness of its operations, the reliability of its financial information, and compliance with legislation and regulations, including the Articles of Association and internal procedures, in order to ensure healthy, efficient management, and to identify, prevent and manage the financial, operating and fraud risks affecting the Company.

With specific reference to the main characteristics of existing risk management and internal control systems in relation to the financial reporting process, please see Annex 1) to the present Report.

In accordance with Application Criterion 7.C.1. of the Code, with its resolution dated December 6, 2012 the Board of Directors, confirming the internal control and risk management system adopted by the Company, established that it should, with the previous opinion of the at the time named Control and Risk Committee:

- a) define the guidelines for the internal control and risk management system so that the principal risks affecting the Company and its subsidiaries are properly identified as well as adequately measured, managed and monitored, while also determining the level of the compatibility of these risks with the management of the Company in a manner consistent with its strategic objectives;
- b) at least once a year, assess the appropriateness, effectiveness and effective operation of the internal control system with respect to the characteristics of the business;
- c) approve, at least once a year, the plan drafted by the Director Global Internal Audit, after consulting the Board of statutory auditors and the director in charge of the internal control and risk management system;
- d) express its opinion on the internal control and risk management system's adequacy once a year;
- e) after consulting the Board of statutory auditors, assess the findings reported by the external auditor in the recommendation letter and in the report on the main issues resulting from the auditing.

The Board of Directors performs its functions relating to the internal control and risk management system taking into due consideration the national and international benchmark models and best practices, i.e. the Model COSO Report - *Enterprise Risk Management Integrated Framework* developed by the *Committee of Sponsoring Organization of the Treadway Commission*.

Safilo implemented an Enterprise Risk Management (ERM) framework, with the aim of identifying and monitoring

critical areas of risk (business, operational and compliance). The results of these activities are discussed on a semi-annual basis with the Control Risk and Sustainability Committee, which provides its opinion on the adequacy of the internal control and risk management system.

In 2017, following the launch of the Worldwide Business Conduct Manual a new whistleblowing process was implemented with the aim of providing a means for employees, customers, suppliers and business partners to communicate concerns of possible violations of the Worldwide Business Conduct Manual or the law, while protecting their identity if they so wish. Any misconduct reports received are managed by the Internal Audit function and evaluated by the Assessment Committee as defined in the Worldwide Business Conduct Manual Compliance Reporting Procedure published on the Company's Website. The whistleblowing programme is active at a worldwide level with two channels for reporting potential violations and a dedicated email address.

On December 10, 2019, after hearing the Board of Statutory Auditors and the Director in charge of the internal control and risk management system and taking into account the favorable opinion of the Control Risk and Sustainability Committee, the Board of Directors approved the updated plan for 2020 of the Internal Audit Function.

\* \* \*

The Board of Directors of March 11, 2020, taking into account the favourable opinion of the Control Risk and Sustainability Committee (based on the information, evidence and evaluations received from the Director Global Internal Audit, the Manager responsible for the preparation of the company's financial documents, the Director in charge of internal control and risk management system and Enterprise Risk Management), expressed, with respect to the 2019 financial year, a positive evaluation on the adequacy of the internal control and risk management system.

## **10.1. DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

With respect to the responsibility of coordinating the management of activities relating to internal control of the Company and the Group, also with reference to the provisions of the Legislative Decree no. 231/2001 and to the role of director in charge of the internal control and risk management system, the April 24, 2018 Board of Directors granted the Chief Executive Officer the following powers, exercisable with single signature:

- to apply every law and complimentary regulation set forth in relation to the administrative responsibility of the subsidiaries and the Group;
- to adopt all the measures and execute all the necessary and useful actions in order to comply with the above-mentioned laws and regulations, without cost restraints, with no prejudice to the possible future obligation to disclose to the Board those actions which exceed the sums allocated within the Company's budget;
- to make proposal to the Board of Directors in relation to (i) the appointment and d revocation of the Director Global Internal Audit; (ii) the appropriate allocation of resources for carrying out the relevant responsibilities and (iii) the relative remuneration consistent with Company policies;
- to identify the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board of Directors;
- to implement the guidelines defined by the Board of Directors, taking care of the planning, realization and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;
- to adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;
- to request to the internal audit function to carry out reviews of specific operational areas and on the compliance of business operation with rules and internal procedures, giving simultaneous notice to the chairman of the Board of Directors, the chairman of the Control Risk and Sustainability Committee and the chairman of the Board of Statutory Auditors;
- to promptly report to the Control Risk and Sustainability Committee (or to the Board of Directors) issues and problems that resulted from his activity or of which he became aware in order for the committee (or the Board) to take the appropriate actions.

## 10.2. DIRECTOR GLOBAL INTERNAL AUDIT

The Board of Directors, upon proposal of the Director in charge of the internal control and risk management system, subject to the favourable opinion of the at the time named Control and Risk Committee, as well as after consulting the Board of Statutory auditors, in accordance with Principle 7.P.3. and Application Criterion 7.C.1. of the Code, has appointed the Director Global Internal Audit, who:

- a) verifies, both on a continuous basis and in relation to special needs, in compliance with international professional standards, the operational and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the Board of Directors. Such plan shall be based on a structured analysis and ranking of the main risks;
- b) is not responsible for any operational areas and is subordinated to the Board of Directors;
- c) has direct access to all information useful for the performance of his duties;
- d) drafts periodic reports containing adequate information on its own activity, and on the Company's risk management process, as well as on the compliance with the plans defined for risk mitigation. Such periodic reports contain an evaluation on the adequacy of the internal control and risk management system;
- e) prepares timely reports on particularly significant events;
- f) submits the reports indicated under previous letters d) and e) above, generally simultaneously, to the Chairman of the Board of Statutory Auditors, of the Control Risk and Sustainability Committee and of the Board of Directors, as well as to the director in charge of the internal control and risk management system;
- g) verifies, within the audit plan, the reliability of the information systems, included the systems of accounting.

This role has been given to Ms. Carlotta Boccadoro since June 1, 2017.

Upon proposal of the Director in charge of the internal control and risk management system, subject to the favourable opinion of the Control Risk and Sustainability Committee, as well as after consulting the Board of statutory auditors the relevant remuneration was defined, consistently with the Company's policies; it is ensured that such person has his own spending budget, which is defined consistently with the requirements of his office and validated by the Control Risk and Sustainability Committee.

The internal audit department performs an important role within the internal control and risk management system, having the main task to evaluate the adequacy and the functioning of the control, risk-management and *corporate governance* processes, through an independent assurance and consultancy activity, as well as through the involvement of the different corporate functions, so as to collect from them information, data and useful remarks.

The activity is performed in accordance with an annual Internal Audit Plan approved by the Board of Directors, which is prepared based on a risk assessment and considering the results of the ERM.

During the Financial year, the Director Global Internal Audit has performed the above-mentioned activities through the definition of a specific Internal Audit Plan including operational, financial and compliance aspects, concerning the Company and the other companies of the Group. The results have been the subject of periodical informative reports to the Control Risk and Sustainability Committee, the Directors in charge of the internal control and risk management system and the Board of Statutory Auditors.

## 10.3. ORGANISATIONAL MODEL UNDER LEGISLATIVE DECREE NO. 231/2001

On March 28, 2006, the Board of Directors resolved to adopt the Group's Code of Ethics – as of today replaced by the "Worldwide Business Conduct Manual" following the resolution of the Board of Directors held on December 13, 2016 - and the Company's Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 (hereinafter also "**Model 231**"), with the aim of instituting a structured, unified system of procedures and information flows designed to prevent the commission of criminal and/or administrative offences involving the administrative liability of the Company.

Since then the Model has been updated on a number of occasions, to comply with legislative and case-law developments occurring from time to time and is now in its tenth edition, approved by the Board of Directors on August 2, 2019. Such new version of the Model 231, updated and aligned to the current corporate organization and to the new internal procedures of Safilo, includes – among others – the prevention and control measures of environmental crimes.

The Model 231 is composed of a General Part and Special Parts, which contain specific indications for prevention of the offences contemplated in them.

Pursuant to current law, on March 28, 2006 the Board of Directors also appointed a Supervisory Committee (consisting of the internal control officer, at present Director Global Internal Audit, an independent director and a standing statutory auditor), lastly reappointed by resolution on April 24, 2018. The Supervisory Committee was assigned the duties envisaged in Legislative Decree no. 231/2001, as subsequently amended and supplemented.

The body which has the power to update and/or amend the Model 231 is the Board of Directors, upon the proposal of the Supervisory Committee.

The Company has determined not to grant to the Board of Statutory Auditors the role as Supervisory Committee ex Legislative Decree 231/2001.

A copy of the general part of Model 231 is available on the Website in the IR/Corporate Governance section.

#### **10.4. INDEPENDENT AUDITORS**

The Shareholders' Meeting held on April 15, 2014 appointed Deloitte & Touche, an auditing firm listed in the Italian central register of legal auditors, as independent auditors for 2014-2022.

#### **10.5. MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL STATEMENTS (*DIRIGENTE PREPOSTO*) AND OTHER RULES AND FUNCTIONS OF THE COMPANY**

Pursuant to Article 21 of the Articles of Association, the Board of Directors, upon the proposal of the Chief Executive Officer and after receiving the mandatory but non-binding opinion of the Board of Statutory Auditors, is responsible for the appointment and revocation of a corporate Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*), in compliance with the requirements of Article 154-*bis* of the CFA.

The Board of Directors must also ensure that the corporate Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) has suitable powers and resources for the performance of the duties allocated to him/her by the current legislation and establishes the duration of the appointment and the remuneration payable.

The corporate Financial Reporting Manager is chosen from among persons who meet the requirements of professionalism, characterised by specific skills and several years' experience in accounting and financial matters, and any additional requirements established by the Board of Directors and/or the current legislation.

In accordance with the above provisions, the previous Board of Directors (2015-2017 mandate), after receiving the favourable opinion of the Board of Statutory Auditors, on April 27, 2015, reappointed as corporate Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) Mr. Gerd Graehsler, Group Chief Financial Officer, who meets the requirements of professionalism, characterised by specific skills and several years' experience in accounting and financial matters, required for the performance of the tasks assigned by current legislation to the Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*). Moreover, it has been established that the manager thus appointed will hold office until his resignation or revocation by the Board of Directors.

#### **10.6. CO-ORDINATION BETWEEN BODIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Company establishes coordination procedures between the bodies involved in the internal control and risk management system; in fact, in addition to the periodical informative reports of the Control Risk and Sustainability Committee to the Board of Directors, it is a standard practice of the Company that the Executive director in charge of

the internal control and risk management system, the Director Global Internal Audit, the Company's Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*), the Enterprise Risk Manager, the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him/her, or together with the other Standing Statutory Auditors, attend the meetings of the Control Risk and Sustainability Committee, in order to guarantee effective coordination of the Committee's activities with the activities of the other bodies and functions.

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

As regards the procedure for approval and execution of transactions with related parties or in which the director has an interest on his own account or on that of third parties, reference should be made to what has already been indicated in Section 4.3 of this report.

The members of the current Transactions with Related Parties Committee are the directors Ines Mazzilli (Chairman), Catherine Gérardin-Vautrin and Guido Guzzetti, all independent and non-executive directors. They were appointed by the Board of Directors held on April 24, 2018.

The Regulations for transactions with related parties are available on the Company's website, in the section Investor Relations/Corporate Governance.

Four (5) meetings of the Transactions with Related Parties Committees were held in 2019, on January 18, February 26, June 4, August 1 and November 29, 2019. The attendance of the directors at the meetings was 100%.

During the current Financial Year 2020 the Transactions with Related Parties Committee met 2 times on February 04, 2020 and March 17, 2020.

## 12. APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of members of the Board of Statutory Auditors is governed by Article 27 of the Articles of Association, published in the Investor Relations/Corporate Governance section of the Website. More specifically, Statutory Auditors are appointed by the Shareholders' Meeting on the basis of lists submitted by shareholders, to ensure that minority shareholders appoint one standing statutory auditor and one substitute statutory auditor.

Article 27 of the Articles of Association is given in full below, in the newly amended version approved by the Board of Directors of the Company on March 11, 2020. The Articles were amended in order to adapt them to the mandatory provisions of Law no. 160/2019, which entered into force on January 1, 2020 and which amended the provisions on gender balance in corporate bodies as introduced into Italian law by law 120/2011.

\* \* \*

### Article 27)

*The Board of Statutory Auditors shall consist of three standing members and two alternate members, who remain in office for three financial years and are eligible for re-election. Current laws shall apply to statutory auditors' requirements for eligibility, integrity, experience and independence, to their duties, the determination of their remuneration and their term in office; more specifically, with regard to the experience requirements under Article 1 of Ministry of Justice Decree 162 dated 30 March 2000, activities that are considered strictly pertinent to those of the Company are those matters concerning commercial or tax law, economics or corporate finance and the sectors of activity listed in Article 4 above and the sectors of fashion, luxury goods, manufacturing industry, finance, banking and insurance.*

*The Board of Statutory Auditors shall be appointed by the Shareholders' Meeting on the basis of lists presented by shareholders, with the procedures described below, so as to: (a) allow the minority to appoint one standing member and one alternate member, and (b) ensure the balance between genders (masculine and feminine) represented within the Board of Statutory Auditors.*

*The number of candidates appearing in the lists may not exceed the number of members up for election. Each candidate shall be listed with a sequential number. Furthermore, if and until expressly provided by mandatory law and/or regulatory provisions, each list, except for those containing less than three candidates, shall be composed of a number of candidates belonging to the underrepresented gender (masculine or feminine) so that, should such list result as the*

*Statutory Auditors Majority List (as defined below), from such list a number of statutory auditors belonging to the underrepresented gender are elected so to ensure compliance with the applicable pro tempore legislation and regulations in force regarding balance between genders.*

*No candidate may appear in more than one list, otherwise they will be disqualified.*

#### **A) Presentation of lists**

*Lists may be presented only by those shareholders who own, alone or together with others, at the time of presentation of the list, at least the percentage of share capital consisting of shares with voting rights at Ordinary Shareholders' Meetings, set forth by applicable law or regulations governing the appointment of the Board of Statutory Auditors. Details of this percentage and of the appointment procedures shall be provided in the notice convening the Shareholders' Meeting.*

*No individual/entity attending the meeting, none of the shareholders belonging to a shareholder syndicate as defined by Article 122 of Decree 58/1998, nor the parent company, subsidiaries and companies under common control pursuant to Article 93 of Decree 58/1998, may present or vote for more than one list, either directly or through a third party or trust company.*

*If the above rules are not observed by one or more individuals/entities entitled to attend and vote at the Shareholders' meeting, their vote for any of the lists presented is discounted.*

*The lists, containing the names of the candidates for the office of standing statutory auditor and alternate statutory auditor, prepared in compliance with the applicable pro tempore legislation and regulations in force regarding balance between genders., shall be signed by the shareholders presenting them and filed at the Company's registered offices at least 25 (twenty-five) days in advance of the date set for the single call or first call of the related Shareholders' Meeting or within the different deadline set forth by applicable law in force from time to time, without prejudice to any other form of publicity established by applicable legislation. The lists must be accompanied by:*

- (i) information on the identity of the shareholders who have presented the lists, specifying their overall percentage interest in share capital, and a certificate confirming them as the owners of such interest. The certificate attesting the ownership of at least the minimum shareholding required to present a list of candidates, determined having regard to the amount of shares registered in favour of the concerned shareholders on the same day when the lists are deposited with the Company, can be delivered to same Company also after the deposit of the lists, provided that such certificate is delivered at least 21 (twenty-one) days before the date of first call of the relevant Shareholders' Meeting or within the different deadline provided for by the applicable law in force from time to time;*
- (ii) a statement by the shareholders, other than those who individually or jointly own a controlling or majority interest, confirming the absence of relationships connecting them to the latter, as defined by Article 144-quinquies of the regulations implementing Decree 58/1998;*
- (iii) comprehensive details on the personal characteristics and experience of the candidates;*
- (iv) a statement by the candidates themselves confirming that they are in possession of the requirements envisaged by law, that there are no reasons of ineligibility and incompatibility against them holding office and that they meet the requirements of integrity and experience established by law for members of the Board of Statutory Auditors;*
- (v) statements by the candidates in which they accept their candidacy and provide details of the number of their appointments as directors or statutory auditors in other companies, with the undertaking to update this list at the date of the Shareholders' Meeting.*
- (vi) any other information required by current statutory and regulatory provisions.*

*Lists for which the above provisions are not observed shall be treated as if they had not been presented.*

*The lists presented are made available to the public at the Company's office, on its website and through the other modalities provided for by applicable law and regulations, at least 21 (twenty-one) days before the date of single call or first call of the Shareholders' Meeting convened to resolve on the appointment of the Board of Statutory Auditors or within the different deadline provided for by applicable law and regulations in force from time to time.*

#### **B) Voting**

*Every shareholder entitled to vote may vote for only one list, including through a third party or trust company.*

*Two standing members and one alternate member shall be elected from the list that obtains the highest number of votes ("Statutory Auditors Majority List") in the sequential order in which they appear on this list.*

*The third standing member and the second alternate member shall be taken from the list obtaining the second highest number of votes and presented and voted by entitled individuals/entities who are not associated with the majority shareholders as defined by par. 2, Article 148 of Decree 58/1998 ("Statutory Auditors Minority List"). The first and second candidates appearing on this list shall be elected in the sequential order in which they appear therein.*

*In the event of a tied vote, further ballots shall be taken involving the entire Shareholders' Meeting in order to obtain an unequivocal result.*

*The Shareholders' Meeting shall appoint the standing member elected on the Statutory Auditors Minority List as the Chairman of the Board of Statutory Auditors.*

*Without prejudice to the above, the provisions of law and regulations in force from time to time apply to the presentation, deposit and publication of the lists, including in the cases where only one list is presented, or the lists are presented by shareholders associated one with the others as per par. 2 of Article 148 of Decree 58/1998.*

*In any event, even if only one list has been presented or admitted to voting, the candidates on this list shall be appointed as standing statutory auditors, in compliance, if and until expressly provided by mandatory law and/or regulatory provisions, with the required balance between genders (masculine or feminine, and alternate statutory auditors in accordance with the sequential number in which they appear in the respective sections of this list.*

*The Statutory Auditors Majority List or the only list (as the case may be) shall ensure compliance with the applicable pro tempore legislation and regulations in force regarding balance between genders.. In particular, if the composition of the controlling body, determined on the basis of the sequence numbers assigned to the candidates of such list, does not include a sufficient number of candidates of the underrepresented gender (masculine or feminine) - taking also into account, in case of the Statutory Auditors Majority List, the gender (masculine or feminine) of the candidate elected by the Statutory Auditors Minority List -, candidates having the lowest sequence number, belonging to the mainly represented gender (masculine or feminine), will be automatically replaced by candidates of the underrepresented gender (masculine or feminine) with the highest sequence number, until the minimum quota required by the applicable pro tempore legislation and regulations in force regarding balance between genders has been reached.*

*If no list is presented or if it is not possible to appoint one or more statutory auditors using the list voting system, the Shareholders' Meeting shall decide with the majorities required by law and ensuring, in any case, the presence of the required number of members belonging to the underrepresented gender (masculine or feminine) between the standing members of the Board of Statutory Auditors, such as to comply with the applicable pro tempore legislation and regulations in force regarding balance between genders..*

### **C) Replacement**

*In the event of having to replace a statutory auditor, the replacement shall be an alternate statutory auditor belonging to: (i) the same list and (ii) if and until it is necessary in order to ensure the proportion between genders (masculine and feminine) required by the applicable pro tempore legislation and regulations in force regarding balance between genders, the same gender as the ceased statutory auditor, in the order specified therein.*

*This is without prejudice to other replacement procedures established by current statutory or regulatory provisions.*

*The Shareholders' Meeting called under par. 1, Article 2401 of the ICC shall make the appointment or replacement in compliance with the principle of having the required minority representation and, if and until it is necessary, in order to ensure the balance between genders (masculine and feminine) within the Board of Statutory Auditors, in compliance with the applicable pro tempore legislation and regulations in force regarding balance between genders.*

\*\*\*

*The powers, duties and term in office of the statutory auditors are those established by law.*

*The statutory auditors may, individually or jointly, request the Board of Directors to provide details and explanations about the information they have received and about general business trends or specific transactions, and may carry out inspections and controls at any time.*

*Members of the Board of Statutory Auditors may not hold similar appointments in more than five companies that are quoted on the stock exchange. The statutory auditors shall comply with the limits on the number of appointments as a*

*director or statutory auditor established by Article 148-bis of Decree 58/1998 and related regulations for its implementation.*

*No standing or alternate statutory auditor may be a director or employee of companies or entities that control the Company; this is without prejudice to the other limitations on the number of appointments that may be held under current statutory or regulatory provisions.*

*Meetings of the Board of Statutory Auditors may be held via teleconference or videoconference, in accordance with the terms stated in Article 17.*

\* \* \*

In accordance with Principle 8.P.1. of the Code, the Statutory Auditors act independently, and therefore are not “representatives” of the majority or minority that nominated or elected them.

The Board of Statutory Auditors monitors compliance with legislation and the Articles of Association and with the principles of correct administration, the appropriateness of the Company’s organisational structure, within its sphere of responsibility, the internal control and risk management system and the administrative/accounting system, and the reliability of the latter in correctly representing operating events.

In accordance with Application Criterion 8.C.6. of the Code, the Board of Statutory Auditors may request the Internal Audit function to perform audits of specific operational areas or company transactions.

In accordance with the requirements of Article 159 of the CFA, as subsequently amended and supplemented, the Board of Statutory Auditors has the prerogative of making a substantiated proposal for the legal audit appointment by the Shareholders’ Meeting.

The Board of Statutory Auditors, among the tasks allocated to it by law, checks on the correct application of the criteria and procedures used by the Board of Directors to evaluate the independence of its members; the result of this check is disclosed annually to the market in the Corporate Governance Report or in the Statutory Auditors’ report to the Shareholders’ Meeting.

\* \* \*

It is specified that, with reference to the year 2017, during which the Shareholders’ Meeting was held that appointed the Board of Statutory Auditors, the participating share pursuant to Article 144-quater of the Issuers’ Regulations was fixed by the Consob at 2.5% (resolution 19856 of January 25, 2017).

### **13. COMPOSITION AND PERFORMANCE OF THE BOARD OF THE STATUTORY AUDITORS (EX ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)**

The current Board of Statutory Auditors, appointed through the list mechanism by the Shareholders’ Meeting on April 26, 2017 and that will remain in office until the next Shareholders’ Meeting called to approve the annual separate financial statements as at December 31, 2019, consists of the Chairman Carmen Pezzuto and of the effective statutory auditors Franco Corgnati and Bettina Solimando, respectively taken, the Chairman of the Board of Statutory Auditors, from the minority list filed by the shareholder Only 3T S.r.l., and the effective Statutory auditors from the majority list filed by the shareholder Multibrands Italy B.V..

On the occasion of the appointment of the Board of Statutory Auditors two lists were submitted: (1) List no. 1, submitted by the shareholder Multibrands Italy B.V., composed by: Mr Franco Corgnati, Ms Bettina Solimando and Mr Yuri Zugolaro, as effective Auditors, and Ms Marzia Barbara Reginato and Mr Luca Valdameri, as deputy auditors; and (2) List no. 2, having no connections with List no. 1, submitted by the shareholder Only 3T S.r.l., composed by: Ms Carmen Pezzuto, as effective Auditor, and Mr Gianfranco Gaudioso, as deputy Auditor.

List no. 1 obtained 79.076967% of the votes, calculated on the share capital voting at the Meeting, while List no. 2 obtained 20.903102% of the votes, calculated on to the share capital voting at the Meeting.



The statutory auditors' curricula vitae, containing their personal and professional characteristics and, in detail, the positions held at the date of the Report in other joint-stock entities (S.p.A. [joint-stock company], S.r.l. [private limited liability company] and S.a.p.a. [limited joint-stock partnership]), and particularly at companies listed on regulated Italian markets, together with all the documentation related to the appointment of the current Board of Statutory Auditors, are published on the Website in the Investor Relation/Corporate Governance section and appended to the Report.

The Board of Statutory Auditors met 9 times in 2019, with an average length of 2,5 hours per meeting. The average presence of the auditors was 96%.

The precise dates of the meetings of the Board of Statutory Auditors for the current Financial Year have not yet been fixed. In any case, it is hereby pointed out that as of the date of the approval of the present Report, the Board of Statutory Auditors met 2 times.

### **Policy on Diversity (Board of Statutory Auditors)**

Pursuant to Article 123-bis, paragraph 2, letter d-bis) of CFA, on December 10, 2018, the Board of Directors of the Company, upon proposal of the Remuneration and Nomination Committee and with the favorable opinion of the Board of Statutory Auditors, adopted a diversity policy for the Board of Statutory Auditors ("**BSA Diversity Policy**"), , describing the Board of Statutory Auditors' composition features deemed optimal for allowing it to discharge its supervisory tasks in the most effective way, taking decisions which may benefit from the contribution of a variety of qualified views so that the issues under discussion are considered from different perspectives.

The Company's Board of Directors believes that the following criteria should be followed with regards to the composition of the Board of Statutory Auditors:

- (i) at least a third of the Board of Statutory Auditors, both upon its election and during the term, should be composed by Statutory Auditors of the less represented gender, also in the future after the provisions of the law on gender balance cease to be in force and this will become a recommendation under the Corporate Governance Code of Borsa Italiana; it is also deemed important to ensure that at least a third of the alternate Statutory Auditors is represented by persons of the less represented gender. Where the application of gender division criteria does not result in a whole number of members of the Board of Statutory Auditors belonging to the less represented gender, this number is rounded up;
- (ii) a balanced combination of tenure should be ensured within the Board of Statutory Auditors, in order to strike a balance between continuity and innovation needs in the management;
- (iii) Statutory Auditors should have professional and/or academic and/or institutional profiles such as to ensure a mix of different and complementary skills and experiences that, due to their characteristics, could allow an optimal fulfillment of the supervisory functions assigned to the Statutory Auditors;
- (iv) it would be recommended that most members of the Board of Statutory Auditors have gained competence in areas of activities relevant to those of the Company;
- (v) diversity in relation to age is not deemed an important aspect to be taken into account as the composition of the Board of Statutory Auditors with different professional and/or academic and/or institutional profiles already allows a balanced plurality of perspectives.

The BSA Diversity Policy intends to guide the submission of lists of candidates by the shareholders upon renewal of the entire Board of Statutory Auditors and the expressions of the related vote in the Shareholders' meeting.

\* \* \*

As prescribed in Application Criterion 8.C.1. of the Code, applied all the criteria envisaged for directors by the Code, the Board of Statutory Auditors reviewed the independence of its members both on the first possible occasion after their appointment and during the FY in question, confirming respectively that each one of them met and continued to satisfy these requirements.

It is pointed out that, with reference to Mr. Franco Corgnati, who has been a Statutory Auditor of the Company since

2005, during the Financial Year, the Board of Statutory Auditors confirmed its positive evaluation on his independence, based on the considerations already made on the occasion of his appointment, such considerations being the following:

- He has always been a statutory auditor in companies different from Safilo in terms of business sector and size;
- In carrying out his activity he has always demonstrated his independence in compliance with the Code of Ethics of the Italian Order of Chartered Accountants;
- He has always abstained from working as advisor of the Company and its subsidiaries;
- He has avoided spending time and meeting with the Company's directors and management if unnecessary;
- Starting from 2010, the Company has seen a remarkable turnaround in terms of ownership structure, management and members of the Board of Directors.

\* \* \*

With regard to Application Criterion 2.C.2, all members of the Board of Statutory Auditors possess in-depth knowledge of the situation and operating dynamics of the Company and the Group. The number of Board of Statutory Auditors meetings, and the participation of its members at Board of Directors and at the Company's internal committees guarantee that the Statutory Auditors are continuously updated on the situation of the Company and the market. Moreover, during the meetings of the Board of Directors, the management illustrates material information on the performance of the Company and the Group by providing a continuous flow of information on, inter alia, the principal changes in the applicable statutory and regulatory framework and their impact on the Company.

In accordance with Application Criterion 8.C.4, the remuneration of the statutory auditors is proportional to the commitment required of them and to the importance of the position held, as well as to the Company's size and sector.

\* \* \*

The Issuer establishes that a statutory auditor who, on his own account or that of others, has an interest in a specific transaction of the Issuer, must promptly and exhaustively inform the other statutory auditors and the Chairman of the Board of Directors with regard to the nature, terms, origin and scope of his/her interest (Application Criterion 8.C.5.).

In the performance of its duties, the Board of Statutory Auditors usually coordinates with the Internal Audit function and the Control Risk and Sustainability Committee (Application Criteria 8.C.6. and 8.C.7.) by means of a constant exchange of information and periodic meetings.

The Board of Statutory Auditors functions as "*comitato per il controllo interno e la revisione contabile*" pursuant to Article 19 of Italian Legislative Decree no. 39 of January 27, 2010.

## 14. INVESTOR RELATIONS

The Website contains an Investor Relations section, easily accessed from the home page of the Website, in which the important information concerning the Company is available, so as to allow the shareholders to consciously exercise their rights. This section is divided into various subsections, one of which is devoted to corporate governance and also contains the Annual Corporate Governance Reports for past years.

Barbara Ferrante functions as Director of Investor Relations.

Through this function, the Company aims to maintain and improve its dialogue with the market, in compliance with current regulations and with the requirements of its internal procedures.

The Company's conduct and procedures to date have in fact been designed to avoid asymmetrical information and to put into practice the principle that each actual or potential investor is entitled to receive the same information in order to make well-informed investment decisions.

Moreover, when the annual, half-yearly and quarterly data are announced, the Company holds specific webcasts, conference calls, and/or meetings with institutional investors and financial analysts, which in any case can be followed,

live, by all stakeholders.

## **15. SHAREHOLDERS' MEETINGS (EX ARTICLE 123-BIS, PARAGRAPH 2, LETTER C), CFA)**

Shareholders' Meetings are called in accordance with applicable law and regulations by the Company's Board of Directors, at the Company's registered office or elsewhere, provided in Italy, in the place indicated in the meeting's notice.

The Directors call without delay the Shareholders' Meetings when so requested by the shareholders in accordance with applicable law and regulations. The shareholders requesting the call of the Shareholders' Meetings prepare and submit to the Board of Directors, contextually with their request, a report on the proposals concerning the items to be discussed at such Shareholders' Meetings. The Board of Directors makes available to the public the aforesaid report along with its own evaluations thereon simultaneously with the publication of the notice of call of the relevant Shareholders' Meetings in accordance with applicable law and/or regulations.

Shareholders' Meetings are convened, pursuant to the provisions of law, through a notice of call containing an indication on the date, time, place and agenda of each such Shareholders' Meeting, as well as any other information required pursuant to applicable law and regulation, to be published on the Website and through the additional modalities which may be provided for pursuant to applicable law and regulations.

Shareholders' Meetings can be held in either ordinary and extraordinary session.

An Ordinary Shareholders' Meeting must be called at least once a year, within 120 days of the end of the Company's financial year. When so entitled by law, the annual Shareholders' Meeting can be convened within 180 days of the end of the Company's financial year; in this case the directors outline the reasons of the delay in the directors' report accompanying the annual financial statements.

Shareholders' Meetings are convened in one single call, unless, with respect to a specific Shareholders' Meeting, the Board of Directors has resolved to fix a date for the second and, eventually, the third call, informing the shareholders of such circumstance in the relevant notice of call.

Shareholders who, alone or jointly with others, represent at least 2.5% (two point five percent) of share capital may request in writing, within 10 (ten) days of publication of the notice convening the Shareholders' Meeting, or the different term set forth by law within the limits and in accordance with the modalities provided by applicable law and regulations, that additional items be placed on the agenda, specifying in such request the additional proposed topics for discussion. Any additions to the meeting's agenda following requests of this kind shall be published in the manner and terms established by the applicable law.

Within the deadline for the presentation of their request to integrate the items on the agenda, the requesting Shareholders submit to the Board of Directors a report on such additional items. The Board of Directors makes available to the public the aforesaid report along with its own evaluations thereon simultaneously with the notice of integration of the agenda through the above-mentioned modalities.

No integrations to the Shareholders' Meetings' agenda are permitted with respect to those items on which, by operation of law, same Shareholders' Meetings are called to resolve by the Board of Directors or on the basis of a plan or report prepared by same Board of Directors, other than the reports which are ordinarily prepared by the Board on the items of the agenda.

Each share carries the right to one vote.

The entitlement to attend and vote at the Shareholders' Meetings is attested by a specific certificate delivered to the Company by an authorized intermediary in accordance with its accounting books issued in favour of the individual/entity which is entitled to vote on the basis of the participation owned by his/her/it at the end of the seventh trading day preceding the date of single call or first call of the concerned Shareholders' Meeting or at the different term set forth by applicable law or regulations. The above-mentioned certificate shall be delivered to the Company by the authorized intermediary within the deadlines set forth by law.

The individuals/entities entitled to vote may be represented in the relevant Shareholders' Meetings by written proxy, in the cases and to the extent allowed by applicable law and regulations. The proxy may be submitted to the Company

in an electronic way, through a certified email account (PEC) or any other technical modalities which may be contemplated by applicable law or regulations.

The Company, availing itself of the possibility set forth by law, elects not to appoint the representative provided for by Article 135-undecies of the CFA.

Article 20 of the Articles of Association establishes that the Board of Directors is also assigned responsibility for decisions concerning mergers in the cases envisaged by Articles 2505 and 2505-*bis* of the ICC, demergers in the case of Article 2505-*bis* as referred to in Article 2506-*ter* of the ICC, the opening or closure of secondary locations, the reduction of share capital in the event of shareholder withdrawal, adjustment of the Articles of Association to regulatory requirements and the transfer of the Company's registered headquarters within Italy.

\* \* \*

The Company's Shareholder Meeting held on September 14, 2005, as required by the Code, approved, upon the proposal of Board of Directors, the Regulation governing the proceedings of Shareholders' Meetings, which can be found on the Website, section Investor Relations/Corporate Governance; that Regulation was then completed and amended by the Meeting on March 29, 2010.

Said Regulation guarantees orderly and functional Shareholder Meeting proceedings and the right of each shareholder to speak on the items under discussion.

\* \* \*

In conformity with Application Criterion 9.C.2. of the Code, the Board of Directors makes every effort to ensure that all Shareholders have appropriate information on the necessary items, to enable them knowledgeably to take the decisions for which the Shareholders' Meeting is responsible.

Accordingly, the directors' Report on the matters listed on the agenda, the dossier containing the separate and consolidated financial statements and reports by the Board of Statutory Auditors and Independent Auditors are published as soon as they are available to the Company, and in any case in accordance with the terms and conditions imposed by current law and regulations: they are filed at the registered headquarters of the Company and on the Company Website and the shareholders are entitled to obtain a copy thereof.

When it approves the annual financial report, the Board of Directors also reports to the Shareholders' Meeting on its past and planned activities.

As the shareholders' meeting represents an opportunity for dialogue between Shareholders and Directors, the Directors shall participate in the shareholders' meetings, especially those directors who, in consideration of the duties with which they are entrusted, may provide a useful contribution to the discussion in shareholders' meeting.

\* \* \*

The Remuneration and Nomination Committee informs the shareholders on the fulfilment of its functions by the informative report included in the Report and in the Report on remuneration.

\* \* \*

During the Financial Year there was a significant positive change to the market capitalization of the Company shares, mainly reflecting the positive equity stock markets environment and the Group's business, economic and financial developments of the year.

Please make reference to the previous Section 2.c) for the updated composition of the corporate structure of the Company.

## 16. FURTHER CORPORATE GOVERNANCE RULES (ex Article 123-bis, paragraph 2, letter a), CFA)

During 2017, the Company has adopted an internal reporting system for employees of any irregularities or violations of the applicable legislation and internal procedures (so-called whistleblowing system) that guarantees a specific and confidential information channel, as well as the anonymity of the employee reporting the irregularity/violation.

Furthermore, through resolution dated March 11, 2020, the Company approved the consolidated non-financial report pursuant to Legislative decree 254/2016.

## 17. CHANGES SINCE THE END OF THE FINANCIAL YEAR 2019

No changes have occurred since the end of the Financial Year 2019.

## 18. CONSIDERATIONS ON THE LETTER DATED DECEMBER 19, 2019 OF THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations contained in the letter dated December 19, 2019 of the President of the Corporate Governance Committee were brought to the attention of the Board of Directors on March 24, 2020 upon previous evaluation of the Control Risk and Sustainability Committee (on February 24, 2020) and the Remuneration and Nomination Committee (on March 17, 2020) for the topics of respective competence.

During that meeting the Board of Directors of the Company evaluated, in relation to each critical area identified in the above-mentioned letter, the Company's status quo, as well as some possible actions in order to improve the compliance with the recommendations, in particular:

- in relation to the recommendation of **integrating the sustainability of the business activity into the definition of strategies**, the Board of Directors confirmed that the Company has already, on a voluntary basis, entrusted the Control Risk Committee with Sustainability tasks and functions; in addition, sustainability has been included in the new Group Business Plan 2020-2024 as one of the Group's four main strategies over the coming years. During 2020–2021 the Group will focus on ensuring compliance with the sustainability requirements of the specific applicable laws, and thereafter from 2022 onwards aim at anchoring sustainability in the Group's way of doing business with a detailed set of choices, capabilities and action plan to be defined during 2021. Nevertheless, certain actions have been already identified and are under implementation, and include:
  - the car policy extension to hybrid cars and/or electric cars;
  - adoption of eco-friendly POP material;
  - the launch of a new training on ESG topics in order to spread the culture of sustainability in everyday life and addressing step by step all levels of the organization;
  - a set of environmental impact initiatives (reduction of obsolescence, increase of utilization of sustainable materials in new eyewear collections, low energy consumption and low GHG emission as further criteria in the CapEx selection process),
  - the launch of projects to produce some eyewear capsule collection of selected brands with recyclable material (for example (i) Tommy Hilfiger models with Econyl, a regenerated nylon infinitely recyclable, and (ii) the Ocean Cleanup project for production of eyewear models with waste plastic materials collected from Pacific Ocean and then recycled (Great Pacific Garbage Patch).

The Company will therefore continue the journey of implementing sustainability actions and policies, in compliance with law 254/2016, while pursuing the key strategies to achieve business stability in a period of deep industry and company transformation;

- in relation to the recommendation of **integrating the sustainability of the business activity into the definition of remuneration policy**, having premised that, in compliance with the mandatory provisions under Article 123-ter, paragraph 3-bis, of the TUF, in the implementation of the Remuneration Policy, the Board of

Directors, on proposal by the Remuneration and Nomination Committee, will maintain the flexibility to temporarily derogate from linking the short and medium-long term variable component of remuneration of Executive Directors and Managers with Strategic Responsibilities to the achievement of certain Group performance targets as deemed necessary for the pursuit of the long-term interests and sustainability of the Company or to ensure its ability to stay on the market, including the maintenance of the management capability and commitment, the Remuneration Policy will maintain until at least 2021 the priority for quantitative financial performance objectives directly connected to the Company's medium-long term strategy for the recognition of variable components of the remuneration, taking into account the ongoing transformation of the Company and its aim to achieve stability within 2021 in line with its current key strategies. From 2022 the Company will evaluate including also certain non-financial KPI's consistent with those reported by the Group and subject to limited review by external auditors;

- in relation to the recommendation of **managing the information flows to the board of directors**, ensuring that the confidentiality requirements are protected without compromising the completeness, usability and timeliness of the information, the Board of Directors confirmed the adequate status quo of the Company, although highlighting the exceptional situation occurred in 2019, as detailed in paragraph 4.3 of this Report.
- in relation to the recommendation of applying with greater rigor the **independence criteria** defined by the Code, the Board of Directors agreed on the no-need to define ex-ante the quantitative and/or qualitative criteria to be used for the evaluation of the significance of the relations under examination, considering that the independence criteria have historically not been derogated, and in particular the absence of any relations (whether commercial, financial or professional) to be evaluated. Possible future situations will be therefore evaluated on a case by case basis.
- in relation to the recommendation of verifying that the **amount of compensation paid to non-executive directors and members of the controlling bodies** corresponds to the competence, professionalism and commitment required of their position, the Remuneration and Nomination Committee, taking into account the outcome of a benchmark analysis performed thorough an external consultant, has reported to the Board of Directors its evaluation on the adequacy of the remuneration of the members of the Board of Statutory Auditors and of non-executive directors, except for the remuneration paid to the non-executive Chairman which is not in line with the remuneration paid by comparable companies and in relation to which the Remuneration and Nomination Committee will make a proposal to the newly appointed Board of Directors in 2021.

**TABLES**

**TABLE 1: INFORMATION ABOUT SHARE OWNERSHIP**

STRUCTURE OF SHARE CAPITAL as at 31 December 2019				
	no. of shares	% of share capital	Listed on Milan MTA	Rights and duties
Ordinary Shares	275,703,846	100%	Entire share capital	-
Shares with multiple voting rights	N.A.	N.A.	N.A.	N.A.
Shares with limited voting rights	N.A.	N.A.	N.A.	N.A.
Shares without voting rights	N.A.	N.A.	N.A.	N.A.
Other	N.A.	N.A.	N.A.	N.A.

OTHER FINANCIAL INSTRUMENTS (granting the right to subscribe newly issued shares)				
	Listed	no. instruments outstanding	Category of shares to service conversion/exercise	No. of shares to service conversion/exercise
Warrants	N.A.	N.A.	N.A.	N.A.



**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES as at 31.12.2019**

Board of Directors													Control Risk and Sustainability Committee		Remuneration and Nomination Committee		Transactions with Related Parties Committee	
Office	Members	Year of birth	Date of first appointment	Office held since	Office held until	List*	Exec.	Non exec.	Indep. as per Code	Indep as per CFA	(%) **	No. other positions ***	****	**	****	**	****	**
Chairman	Eugenio Razelli	1950	29.03.2010	24.04.2018	AGM approval of the Financial statement as at 31.12.2020	M		X			100%	See cv (annex 2)						
CEO	Angelo Trocchia	1963	24.04.2018	24.04.2018	Same as above	M	X				100%	See cv (annex 2)						
Director	Jeffrey A. Cole	1941	29.03.2010	24.04.2018	Same as above	M		X	1	X	90%	See cv (annex 2)			X	75%		
Director	Catherine Gérardin-Vautrin	1959	24.04.2018	24.04.2018	Same as above	M		X	X	X	80%	See cv (annex 2)			X	100% <sup>2</sup>	X	100%
Director	Melchert Frans Groot	1959	29.03.2010	24.04.2018	Same as above	M		X			95%	See cv (annex 2)	X	100%				
Director	Guido Guzzetti	1955	27.04.2015	24.04.2018	Same as above	m		X	X	X	90%	See cv (annex 2)	X	100%			X	100%
Director	Cinzia Morelli-Verhoog	1960	24.04.2018	24.04.2018	Same as above	M		X	X	X	95%	See cv (annex 2)			X	100%		
Director	Ines Mazzilli	1962	27.04.2015	24.04.2018	Same as above	M		X	X	X	95%	See cv (annex 2)	X	100%			X	100%
Director	Robert Polet	1955	05.10.2011	24.04.2018	Same as above	M		X		X	80%	See cv (annex 2)			X	50% <sup>-3</sup>		
No. meetings held during 2019								BoD: 20			CRSC: 7			RNC: 4			Others: 5	
Required quorum in order for minorities to file lists for the election of one or more members (ex Article 147-ter CFA): 4.5% (CONSOB resolution No. 20273 of January 24, 2018)																		

<sup>1</sup> The Director Jeffrey A. Cole, no longer qualified as an independent director pursuant to Article 3 of the Code starting from March 29, 2019.<sup>2</sup> Appointed as member of the Remuneration and Nomination Committee by the Board of Directors held on March 13, 2019 and replacing the director Robert Polet.

<sup>2</sup> Appointed as member of the Remuneration and Nomination Committee by the Board of Directors held on March 13, 2019 and replacing the director Robert Polet.

<sup>3</sup> Member of the Remuneration and Nomination Committee until March 13, 2019.



NOTES:  
\* In this column M/m indicates whether the member was elected from the majority (M) or the minority (m) list.  
\*\* This column indicates the attendance percentage of the directors at the respective meetings of the Board of Directors and the committees (no. attendances / no. meetings held during the period of office of the party concerned).  
\*\*\* This column indicates the number of directorships and/or offices as statutory auditor held by the party concerned in other companies listed on regulated markets (including foreign markets), and in financial, bank, insurance or large companies. A list of all such companies is attached to this report with reference to each director, specifying whether or not the company in which the office is held forms part of the group headed by the Issuer or of which the Issuer forms part.  
\*\*\*\* In this column an "X" indicates that the member of the Board of Directors belongs to the committee.

**TABLE 3: STRUCTURE OF BOARD OF STATUTORY AUDITORS as at 31.12.2019**

Board of Statutory Auditors									
Position	Components	Year of birth	Date of first appointment	In office since	In office until	List (M/m) *	Independence as per Code	** (%)	Number of other offices
Chairman	Carmen Pezzuto	1967	26.04.2017	26.04.2017	31.12.2019	m	X	100%	See CV (annex 2)
Standing statutory auditor	Franco Corgnati	1942	From the quotation	26.04.2017	31.12.2019	M	X	100%	See CV (annex 2)
Standing statutory auditor	Bettina Solimando	1974	24.04.2011	26.04.2017	31.12.2019	M	X	89%	See CV (annex 2)
Alternate statutory auditor	Marzia Barbara Reginato	1959	24.04.2011	26.04.2017	31.12.2019	M	X	NA	
Alternate statutory auditor	Gianfranco Gaudio	1959	24.04.2011	26.04.2017	31.12.2019	m	X	NA	
		Required quorum in order for minorities to file lists for the election of one or more members on the occasion of the last appointment (ex Article 148 CFA): 2.5% (CONSOB Resolution dated January 25, 2017 No. 19856)							
		Number of meetings held during the relevant financial year: 9							

NOTES:

\* In this column M/m indicates whether the member was elected from the majority (M) or the minority (m) list.

\*\* This column indicates the attendance percentage of the auditors at the meetings of the Board of Auditors (no. attendances /no. meetings held during the period of office of the interested party).

\*\*\* This column indicates the number of directorships and/or offices as statutory auditor held by the part concerned that are relevant pursuant to Article 148-bis of the CFA. The full list of offices held is attached, as required by Article 144-quinquiesdecies of the CONSOB Issuers' Regulation, to the report on supervisory activity, prepared by the statutory auditors pursuant to Article 152, paragraph 1 of the CFA.

## **ANNEXES**

## **ANNEX 1**

### **Main characteristics of existing risk management and internal control systems in relation to the financial reporting process pursuant to Article 123-bis, paragraph 2, letter b) of the CFA**

The Company considers the risk management system to be an integral part of the internal control system in relation to the financial reporting process. This system in fact aims to assure the reliability, accuracy, trustworthiness and timeliness of financial reporting.

Given this, since the coming into force of Italian Law 262/2005 the Company has implemented procedures designed to increase the transparency of financial reporting and make the system of internal controls more efficient and particularly those concerning financial reporting, of which they form part.

The methodological approach adopted by the Company to meet regulatory requirements and the responsibilities of the Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) is set out hereinafter.

As indicated in Section 10.5 of the Report, the Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) is responsible for certifying that the administrative and accounting procedures used to construct the separate annual financial report/consolidated annual financial report/half-yearly financial report:

- have been defined consistently with the Company's administrative and accounting system and its structure;
- have been subjected to assessment of appropriateness;
- have been effectively applied during the period to which the separate annual financial report/consolidated annual financial report/half-yearly financial report refers.

In order to be able to express an assessment of appropriateness, it has been necessary to identify a theoretical model of reference, so as to have criteria against which to make the assessment.

In view of the fact that Article 154-bis of the CFA does not explicitly refer to a specific model to use to assess the appropriateness of administrative and accounting procedures – and in order to meet the needs consequent to application of the rule in question – the Company has opted to apply a model universally recognised as being one of the most accredited, i.e. the COSO Report – Internal Control Integrated Framework.

By virtue of its widespread use, success and authoritativeness, the COSO Report has provided the starting point for several regulatory bodies, both Italian (the Bank of Italy and the ISVAP - Italian insurance regulator) and international (PCAOB, SEC and the Basle Committee) and is indicated as a sound basis of reference also by professional associations, including, in Italy, the ANDAF (the Italian association of financial and administration officers) and the AIIA (the Italian association of internal auditors).

This model of reference permits assessment of the appropriateness of an internal control system with respect to three dimensions of analysis (Objectives, Components, and Context). For each of these it is necessary to select the aspects relevant for specific application of the model.

Based on the COSO Report – Internal Control Integrated Framework, the Company has implemented a model (hereinafter "Model 262" referring to the Italian law involved) that permits assessment of the appropriateness of the internal control system in terms of achievement of various objectives, including the effectiveness and efficiency of processes, the reliability of financial reporting, and compliance with laws and regulations.

According to this Model 262, the elements in relation to which the Company assesses the appropriateness of the control system are as follows:

- "Control environment"

This means the corporate governance approach adopted by the Company and the Group and, in both of them, the people and tools dedicated to the organisation, assessment and auditing of the general internal control system, within which the reliability of financial reporting is one of the objectives.

- “Risk assessment”

Model 262 provides for identification of the risks of not achieving the objectives set, followed by identification of which control activities are present to reduce such risks. The control system is appropriate to the extent that risks are covered by control activities. In the specific case, the risks are those of unreliable financial reporting and can be classified in the following categories (the so-called “financial statement assertions”):

- *existence/occurrence*: assets and liabilities exist at a certain date and the transactions recorded represent events that really occurred during a given period;
- *cut-off*: the transactions and events have been attributed to the proper accounting period
- *completeness*: all transactions, assets and liabilities to be recorded have effectively been included in the financial statements;
- *accuracy*: transactions, assets and liabilities have been correctly calculated and recorded;
- *valuation or allocation*: assets, liabilities, shareholders’ equity, revenues and costs are recognised in financial statements at their correct amounts, in accordance with the appropriate GAAPs;
- *rights & obligations*: assets represent the Company’s rights and liabilities represent its obligations;
- *presentation & disclosure*: items in financial statements are properly named, classified and illustrated in financial reporting disclosure.

- “Control activities”

Control activities, designed to reduce the above risks, can be classified in several types, for example: preventive, investigative, manual, electronic, and so on. Among the control activities normally performed by personnel at various organisational levels, we indicate, where applicable, the following:

- *Top-management analyses*: performance achieved is compared with the budget, forecasts, with previous periods’ results and with competitors’ results. To the extent that these activities are used to check unexpected results revealed by the accounting system, they contribute to control of financial reporting;
- *Transaction controls*: these are performed to check the completeness, accuracy and authorisation of the entry in the accounting systems of transactions managed in business processes and of the related databases in the archives concerned;
- *Information system controls*: the heavy reliance on information systems, particularly as regards preparation of financial reporting, makes it necessary to keep them under control. Controls for information systems concern the development and maintenance of applications software, protection of accesses, operators’ activity, back-up procedures, and security plans, etc.;
- *Physical controls*: equipment, stocks, securities, cash and other assets are physically protected and an inventory periodically taken of them and compared with accounting data;
- *Segregation of tasks*: in order to reduce the risk of errors and irregularities, tasks are split between several people. For example, authorisation of transactions, their booking in accounts and management of the corresponding assets must be performed by different people;
- *Policies and procedures*: control activities are normally based on policies and procedures.

- “Information and communication”

Model 262 provides for appropriate information flows between the parties involved in the internal control system. In the specific case, these flows include communication of procedures to those concerned, exchanges of information between those playing a role in the corporate governance model, reporting on the progress of any improvements being made to the control system, and reporting on any anomalies found during the monitoring activities indicated below.

- “Monitoring”

Lastly, Model 262 envisages performance of assessments of the effective application of procedures and, in particular, of the control activities mentioned above.

Structured in this way, the Model 262 thus permits assessment of the appropriateness of an internal control system at various organisational levels (for example, at the levels of group, company, and process, etc). More specifically, controls can be performed on the basis of:

- Analysis of the Group, which aims to identify companies featuring complexities and levels of importance such as to bring them within the scope of the analysis;
- Analysis of business segments, which aims to identify the main business processes (according to the so-called "value chain" approach), mapping them with respect to Group companies, and to describe the main areas of accounts affected by such processes;
- Analysis of areas of accounts, which aims to assess their complexity from the qualitative standpoint, starting from the feeder business process, and from the quantitative standpoint, as regards the materiality of balances.

These preliminary analyses make it possible both to delineate the boundary of subsequent analyses of appropriateness and to plan their depth. For example, for areas of accounts featuring a low degree of complexity, analysis of the risks of unreliable financial reporting and of related control activities can be performed as part of the processes of period-end closure of accounts.

For areas of accounts that instead are highly complex, it may be necessary to add to this context analysis of feeder processes, in order to detect and assess the adequacy of controls of transactions recorded in accounts and that are involved in those processes.

As regards the heavy reliance on information systems, particularly as regards processing of financial reporting, the boundary of subsequent analyses of appropriateness normally include the processes of the Information Systems area.

The bodies and/or units involved in operation of the Model 262 and their related roles are indicated below:

- Control Risk and Sustainability Committee: as the body responsible for the functionality of the general control system, it is also required to express an opinion and, if necessary, take action vis-à-vis the Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) to ensure that the part of the internal control system dedicated to assuring the correctness of financial reporting is effective and actually operating;
- Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*): he has the ultimate responsibility for ensuring that the control activities in place permit assurance of fair and complete financial reporting, which he himself certifies;
- Group Accounting and Corporate Reporting unit: the personnel appointed for this purpose coordinate and perform periodic tests to ensure updating and operation of the set of controls identified and necessary to assure the correctness of financial reporting;
- Internal Audit unit: double role as support of the Manager responsible for preparing the Company's financial statements (*Dirigente Preposto*) in the mapping and testing activity/operation as independent person who assesses the work of the above-mentioned Manager;
- Relevant Company people, process owners: they have the ultimate responsibility for updating the overall design of controls (flow charts and RCMs - Risk Control Matrixes) and for performing tests to check controls' effectiveness and their consistency with the design.

## **ANNEX 2**

### **Curricula Vitae of Directors and Statutory Auditors**