

**REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP  
STRUCTURES**  
*in compliance with art. 123-bis TUF (Consolidated Italian Law on Finance)*

Issuer: SeSa S.p.A - Via Piovola, 138 50053 Empoli (FI)

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# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

## GLOSSARY

**Code/Code of Self-discipline:** the Code of Self-discipline of listed companies approved in July 2018 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, available for consultation at [www.borsaitaliana.it](http://www.borsaitaliana.it), in the section “Borsa Italiana – Regulation – *Corporate Governance*”.

**Civ. Code/ c.c.:** the Italian Civil Code.

**Board or Board of Directors:** the Board of Directors of the Issuer.

**Sesa, Issuer or Company:** the issuer of listed stocks to which the Report.

**Year:** the business year to which the Report refers. Taking into account that the Company's business year ends on the 30<sup>th</sup> of April, the period between 1 May 2018 and 30 April 2019.

**Instructions for Regulation of the Borsa:** the Instructions for Regulation of the markets organised and managed by Borsa Italiana S.p.A.. (as subsequently amended).

**MTA:** the Mercato Telematico Azionario (the electronic stock exchange) organised and managed by Borsa Italiana S.p.A..

**Regulation of the Borsa:** the Regulation of the markets organised and managed by Borsa Italiana S.p.A.. (as subsequently amended).

**Consob Issuers' Regulation:** the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) relating to issuers.

**Consob Regulation of Related Parties:** the Regulation issued by Consob with resolution no. 17221 dated 12 March 2010 (as subsequently amended) relating to transactions with related parties.

**Report:** this report on corporate governance and ownership structures which the company is required to draw up in compliance with art. 123-*bis* of the TUF.

**Articles of Association:** the Articles of Association of Sesa adopted by the extraordinary Shareholders' Meeting held on the 15<sup>th</sup> of July 2013, effective from the date of the launch of trading of the Company's stocks on the MTA (from 22 October 2013), as subsequently amended.

**TUF:** Legislative Decree 58 (Consolidated Law on Finance) dated 24 February 1998.

## 1. ISSUER'S PROFILE

The Sesa Group, which has its headquarters in Empoli (FI), is the operator of reference in Italy in value added IT solutions for the business segment, with consolidated revenues amounting to Euro 1,363 million and roughly 1,650 employees (source: Financial Statements at 30 April 2018). The Group's mission is to bring the advanced technological solutions of the major International IT Vendors to the Italian and European economic districts, guiding companies along the path of technological innovation.

Thanks to its partnership with global leading players in the sector (the so-called "IT Titans"), the skills of its human resources and investment in innovation, the Group offers ICT services and solutions (Design, Education, Technical Assistance, Cloud Computing, Managed and Security Services, ERP & Vertical Solutions, Digital Solutions) to support the competitiveness and digital transformation of its customers.

On the whole, the Sesa Group is able to offer a wide range of software and hardware products, as well as the advisory activity required to guarantee their use and integration, thanks to a high capacity for interaction with customers and the high level of training quality offered.

The Issuer's ordinary shares are admitted to trading on the MTA from 22 October 2013 (the "Listing Date").

From 16 February 2015, the Issuer's ordinary shares are traded in the STAR Segment of the Mercato Telematico Azionario of Borsa Italiana S.p.A. (MTA).

Intermonte SIM S.p.A. acts as specialised operator in compliance with the Regulation of Borsa Italiana S.p.A. and the relative Instructions.

The Company qualifies as an "SME" in compliance with Article 1, paragraph 1, letter w-quater.1) of the TUF and Article 2-ter of the Consob Issuers' Regulation. The value of capitalisation and turnover, relating to the 2017-2018 financial year, communicated to Consob for the purposes of drawing up the list of SMEs (art. 2-ter, paragraphs 2 and 5, of the Consob Issuers' Regulations), amounted to Euro 398,514,681 and Euro 1,350,900 respectively.

The Company, within the context and to allow the admission of its shares to the MTA, has adopted the necessary and appropriate resolutions, effective from the Listing Date, with the aim of aligning its corporate governance system with the legislative and regulatory provisions in force, as well as the principles contained in the Code. In consideration of the above, the information contained in this Report, unless otherwise specified, refers to the Year corresponding to the period from 1 May 2018 to 30 April 2019.

The Issuer is organised according to the traditional management and audit model pursuant to articles 2380-*bis* et seq. of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

## 2. INFORMATION ON OWNERSHIP STRUCTURES (pursuant to art. 123 bis, par. 1, TUF) at 30/04/2019

### a) Share capital structure [art. 123-bis, par. 1, lett. a), TUF]

#### Share capital at 30 April 2019

On 30 April 2019, the share capital subscribed and paid in amounted to 37,126,927.50 euros.

Categories of shares that make up the share capital at 30 April 2019:

#### Share Capital Structure

	no. of shares	% of the s.c.	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary Shares	15,494,590	100.00%	MTA	Every ordinary share entitles the holder to one vote.  The rights and obligations of shareholders are those envisaged by articles 2346 et seq. c.c.

#### Share capital on the Report date

On the Report date, the share capital subscribed and paid in amounted to 37,126,927.50 euros.

### b) Restrictions to the transferral of securities [art. 123-bis, par. 1, lett. b), TUF]

There are no restrictions to the transferral of securities, limitations to possession or clauses for approval of the Issuer or other possessors.

### c) Significant investments in the capital [art. 123-bis, par. 1, lett. c), TUF]

The Company qualifies as an SME pursuant to Article 1, paragraph 1, letter w-quater.1 of the TUF as it falls within the parameters envisaged; therefore, the threshold for the communication of significant shareholdings pursuant to art. 120 TUF is equal to 5% of the share capital with voting rights.

On this date of the Report, Shareholders who hold, according to the shareholders' book and the communications received in compliance with art. 120 TUF and other information available to the Company, directly or indirectly, more than 5% of the Sesa share capital, are listed in the following table.

Declarant	Direct shareholder	% share of ordinary capital	% share of voting capital
HSE S.p.A.	ITH S.p.A	52.814%	52.814%

Anima SGR S.p.A.	Anima SGR S.p.A.	5.011%	5.011%
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**d) Securities that grant special rights [art. 123-bis, par. 1, lett. d), TUF]**

No securities granting special controlling rights or special powers assigned to the securities have been issued.

**e) Employee participation in the shareholder structure: voting mechanism [art. 123-bis, par. 1, lett e), TUF]**

There is no system for employee participation in the shareholder structure.

**f) Restrictions to voting rights [art. 123-bis, par. 1, lett. f), TUF]**

There are no restrictions to voting rights.

**g) Agreements among shareholders [art. 123-bis, par. 1, lett. g), TUF]**

On the date of this Report, the Issuer is not aware of any corporate agreements that are relevant in accordance with art. 122 TUF in relation to the Issuer's shares.

**h) Clauses of change of control [art. 123-bis, par. 1, lett. h), TUF] and provisions of the articles of association on Public Purchase Offers [articles 104, par. 1-ter, and 104-bis, par. 1, TUF]**

The distribution agreements signed by Sesa and/or its subsidiaries with the major commercial partners contain clauses which allow the counterparties to review their position in the event of a change of control.

As regards the loan agreements entered into or in progress during the year ending on 30 April 2019, as usual for this type of transaction, Computer Gross Italia S.p.A. and Var Group S.p.A. signed agreements in compliance with which a change in control of the contracting company may lead to the termination of the benefit of the term.

Specifically, with reference to agreements which explicitly envisage the expiry of the benefit of the term (residual capital at 30 April 2019), the following should be noted.

- On 4 November 2015 Computer Gross Italia S.p.A. signed a loan agreement with CRF (Gruppo Intesa San Paolo) for Euro 5,500,000 of which there is a residual amount of Euro 3,500,000.00;
- On 3 March 2017, Var Group S.p.A. signed a loan agreement with Unicredit for Euro 10,000,000 of which there is a residual amount of Euro 9,509,435.57;
- On 19 May 2017, Var Group S.p.A. signed a loan agreement with CRF (Gruppo Intesa San Paolo) for Euro 5,000,000 of which there is a residual amount of Euro 3,250,000.00;
- On 22 May 2017, Computer Gross Italia S.p.A. signed a loan agreement with CRF (Gruppo

Intesa San Paolo) for Euro 4,250,000 of which there is a residual amount of Euro 3,250,000.00;

- On 31 May 2017, Computer Gross Italia S.p.A. signed a loan agreement with BNL - Bnp Paribas for Euro 20,000,000 of which there is a residual amount of Euro 20,000,000;
- On 29 December 2017, Var Group S.p.A. signed a loan agreement with Unicredit for Euro 10,000,000 of which there is a residual amount of Euro 7,537,366.88;
- On 21 June 2018, Var Group S.p.A. signed a loan agreement with UBI BANCA for Euro 10,000,000 of which there is a residual amount of Euro 7,516,044.84;
- On 23 July 2018, Var Group S.p.A. signed a loan agreement with Unicredit for Euro 10,000,000 of which there is a residual amount of Euro 8,500,000.00;
- On 2 August 2018, Var Group S.p.A. signed a loan agreement with BNL - Bnp Paribas for Euro 10,000,000 of which there is a residual amount of Euro 13,125,000.

The provisions of the Issuer's Articles of Association are compliant with the passivity rule envisaged by art. 104, paragraphs 1 and 1-bis of the TUF. It should also be noted that the Issuer's Articles of Association do not envisage the application of the neutralisation rules contemplated by art. 104-bis, paragraphs 2 and 3 of the TUF.

**i) Mandates to increase the share capital and authorisation for the purchase of treasury shares [art. 123-bis, par. 1, lett. m), TUF]**

During the Year, the Shareholders' Meeting did not assign the Board of Directors the faculty to increase the share capital in compliance with art. 2443 c.c., or to issue investment financial instruments.

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On 24 August 2018, the authorisation to purchase ordinary treasury shares, passed by the ordinary shareholders' meeting on 25 August 2017, expired.

Therefore, the ordinary shareholders' meeting held on 24 August 2018 authorised the purchase and disposal of ordinary treasury shares to give the Company a useful and strategic investment opportunity for every purpose allowed by the then provisions in force, including the purposes contemplated in the "market practices" allowed in compliance with article 13 of EU Regulation no. 596/2014 dated 16 April 2014, as well as the purposes contemplated by article 5 of the aforesaid European Regulation and relative implementing provisions, where applicable.

With reference to the above, the Shareholders' Meeting held on 24 August 2018:

- 1) authorised, in accordance with, by the effects and within the limits of art. 2357 of the c.c., the purchase, in one or more moments, until the date of approval of the financial statements relating to the year as at 30 April 2019 and not beyond a period of eighteen months from the resolution date, of a number of ordinary Sesa shares with no indication of the nominal value, not in excess of 10% of the share capital represented by ordinary shares and for a maximum countervalue of Euro 2,500,000.00, issuing mandate to the Board of Directors to identify the amount of shares to purchase in relation to each of the above purposes, prior to the start of each individual purchase programme, at a price no higher than the highest between the price of the last independent transaction and the price of highest independent purchase offer in the trading venues where the purchase takes place, on the understanding that the per-unit price cannot be below a minimum of 20% or above a maximum of 10% with respect to the



arithmetic mean of the official prices registered by Sesa S.p.A. stock on the Mercato Telematico Azionario during the ten business days of the stock exchange prior to each individual purchase;

- 2) issued mandate to the Board of Directors and to its Chairman and the Managing Director, individually, to go ahead with the purchase of ordinary shares, at the conditions and for the purposes mentioned above, assigning them, once again individually, the most extensive powers for the performance of the purchase transactions pursuant to this resolution and for every other formality relating to them, including the granting of assignments to intermediaries enabled in compliance with the law and with the faculty to appoint special proxies. The purchases will be made using methods that are able to ensure the equal treatment of the shareholders, with the graduality considered appropriate in the interests of the Company and according to that allowed by the legislation in force, with the methods envisaged by art. 144-bis, par. 1, lett. b) of Consob Regulation 11971/1999, as subsequently amended, and by the provisions and regulations applicable, also at European level, also taking into account the market practices relating to the purchase of treasury shares admitted by article 13 of EU Regulation no. 596/2014;
- 3) authorised the Board of Directors and its Chairman and the Managing Director, individually, in compliance with and by the effects of art. 2357-ter c.c., to dispose of all or part of the ordinary shares purchased on the basis of the authorising resolution, or held in the Company's portfolio, at any time, in one or more moments, by selling them on or off the stock exchange, also via the transferral of real and/or personal guarantees, including, by way of example, stock loans, in observance of the laws and regulations in force, also in Europe, at any given time, including the market practices admitted by article 13 of EU Regulation no. 596/2014, and for the pursuit of the aims pursuant to the aforesaid resolution, with the terms, methods and conditions of the deed of disposal of the treasury shares considered most appropriate in the interest of the Company, assigning them, once again individually, the most extensive powers for the performance of the disposal transactions pursuant to this resolution and for every other formality relating to them, including the granting of assignments to intermediaries enabled in compliance with the law and with the faculty to appoint special proxies, on the understanding that (i) the per-unit sale price (or the per-unit value established within the scope of the disposal transaction) cannot be below a minimum of 20% with respect to the arithmetic mean of the official prices registered by Sesa S.p.A. stock on the Mercato Telematico Azionario during the twenty business days of the stock exchange prior to each transaction; and (ii) the deeds of disposal of treasury shares placed at the service of any programmes for the distribution of stock options or stocks to Company directors or employees, may take place at the price determined by the pertinent corporate bodies within the scope of the aforesaid programmes, or free of charge, where envisaged in the plans for the free assignment of stocks approved by the pertinent corporate bodies. The authorisation pursuant to point 3) above has been agreed to without time limits.

Lastly, the same Shareholders' Meeting arranged to ensure, in compliance with the law, that the purchases authorised be contained within the limits of the distributable profits and available reserves resulting from the last financial statements (including interim statements) approved at the time of the transaction, that the total quantitative limit be no higher than the maximum established by the legislation in force, also taking into account the shares acquired by subsidiaries, and that, at the time of the purchase and sale of treasury shares, the necessary accounting entries be made, in observance of the provisions of the law and the applicable accounting standards.

On the date of this Report, Sesa holds 65,742 treasury shares in its portfolio, equating to 0.424% of the share capital. On 30 April 2019, the Company held 65,742 treasury shares, equating to 0.424% of the share capital.

### **I) Management and coordination activity (pursuant to articles 2497 et seq. c.c.)**

Despite being indirectly controlled by HSE S.p.A. , through ITH S.p.a., in compliance with art. 93 TUF, the Issuer does not consider itself subject to the management and control of the parent company in compliance with articles 2497 et seq. of the Italian Civil Code, and article 16, paragraph 4 of the Consob Regulation adopted with provision no. 20249 dated 28 December 2017.

With regard to this matter, the Company feels that it is not subject to the management and coordination of any company, in that: (i) the Company operates independently in corporate and business terms, carrying out its own negotiations with customers and suppliers and defining its own strategic and development lines without any supervision of parties outside of the Company; (ii) ITH does not exercise centralised group functions involving Sesa (e.g.: strategic planning, control, group corporate and legal affairs); and (iii) the Company's Board of Directors operates in full managerial independence.

In turn, the Company is the head of a group to which some unlisted companies belong. These unlisted companies include the direct subsidiary Var Group S.p.A. and the direct subsidiary Computer Gross Italia S.p.A., which recognise Sesa as the only entity to whose management and coordination they are subject. At the meeting held on 12 July 2018, the Issuer's Board of Directors approved a Group regulation, which defines the contents and the procedures with which management and coordination activities are carried out.

The adoption of the Group Regulation is also justified in view of the existence of a common entrepreneurial and strategic plan and the intention to optimise Group synergies. However, membership of the Group and the consequent adhesion to the aforesaid regulation do not compromise the role of the companies that are direct and coordinated as autonomous profit centres.

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With reference to the further disclosures pursuant to art. 123-bis TUF, it should be noted that:

- as regards information on the agreements between the Company and the Directors which envisage indemnities in the case of resignations or dismissals without just cause, or if the relationship ends following a public purchase offer [art. 123-bis, par. 1, lett. I) of the TUF], see paragraph 9 and the Remuneration Report drawn up in compliance with art. 123-ter of the TUF and art. 84-quater of the Consob Issuers' Regulation available within the terms of the law on the Company's website at [www.sesa.it](http://www.sesa.it) in the “*Investor Relations-Assemblee*” sector;
- as regards information on the appointment and replacement of Directors and the legislation applicable to the amendment of the articles of association [art. 123-bis, par. 1, lett. I), of the TUF], see paragraphs 4.1 and 16; as regards information on the main characteristics of the risk management and internal audit systems [art. 123-bis, par. 2, lett. B) of the TUF], see paragraphs 10 and 11;
- as regards information on the mechanisms that govern the workings of the Shareholders' Meeting, its main powers, Shareholder rights and the methods of exercise [art. 123-bis, par. 2, lett. C) of the TUF], see paragraph 16;
- as regards information on the composition and operations of the management and auditing boards and their Committees [art. 123-bis, par. 2, lett. d) and d-bis) of the TUF], see paragraphs 4, 6, 7, 8, 10, 13 and 14.

## **3. COMPLIANCE**

The Issuer complies with the Self-Governance Code, the text of which, updated to July 2018, is accessible to the public on the website of the Committee for Corporate Governance, at <https://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm>.

Neither the Issuer, nor its strategic subsidiaries are subject to non-Italian legal provisions which influence the Issuer's Corporate Governance structure.

## **4. BOARD OF DIRECTORS**

### **4.1 Appointment and replacement of Directors [art. 123-bis, par. 1, lett. l), TUF]**

In accordance with art. 15 of the Articles of Association, the Company is managed by a Board of Directors made up of a minimum of three and a maximum of nine Directors. The Directors hold office for no more than three terms and such office expires on the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their office, notwithstanding the causes of termination envisaged by the law and by the Articles of Association. Before proceeding with the appointment, the Shareholders' Meeting determines the number of members and the Board's duration in office.

The provisions of the Articles of Association that regulate the composition and appointment of the Issuer's Board of Directors also guarantee the respect of the provisions on the defence of the rights of minorities and the balance between genders in the composition of the Board of Directors, as well as the presence of an adequate number of Directors in possession of the requisites of independence pursuant to art. 148, par. 3, TUF, as briefly described below.

The Directors must have the requisites envisaged by the legislation in force at any given time. A minimum number of the Directors, corresponding to the minimum envisaged by the same legislation must have the requisites of independence pursuant to art. 148, par. 3, TUF.

The absence of such requirements determines the termination of the Director's office. The absence of the requisites of independence indicated in art. 148, par. 3, TUF in a Director does not determine termination of office if the requisites are still held by the majority of the Directors who, in compliance with the legislation in force, must possess said requisites. For the requisites of independence of members of the board of directors, see paragraph 4.6.

The appointment of the Board of Directors takes place, in observance of the discipline in force at any given time for the balance between genders, on the basis of lists presented by the Shareholders using the methods specified below, in which the candidates must be listed under a progressive number. For the presentation, deposit and publication of the lists, in addition to that envisaged by the Articles of Association, the provisions of the law and regulations in force at any given time apply.

Every Shareholder, the Shareholders adhering to a significant corporate agreement in accordance with art. 122 TUF, the parent, the subsidiaries and companies subject to common control in compliance with art. 93 TUF, cannot present or take part in the presentation, not even through another person or a trust company, of more than one list, nor may they vote for different lists, and each candidate may only appear in one list otherwise they shall be disqualified from election. Adhesions and votes expressed in breach of this prohibition will not be attributed to any list.

Only Shareholders who, acting alone or with other Shareholders, hold total voting rights representing at least 2.5% of the share capital entitled to vote at the ordinary shareholders'

meeting, or representing another percentage established by the law or regulations can present lists. To this end, it should be noted that, with management decision no. 21 dated 16 May 2019, Consob determined the share required for presentation of lists of candidates for the election of the Issuer's board of directors as 2.5% of the share capital.

Together with each list, within the respective terms indicated above, it is necessary to deposit (i) the information relating to the identity of the Shareholders that have presented the list, indicating the total share held; (ii) the declarations with which the individual candidates accept their candidacy and certify, under their own responsibility, the non-existence of causes for ineligibility and incompatibility, as well as the existence of the requirements for the respective offices; (iii) a curriculum vitae regarding the personal and professional characteristics of each candidate with the possible indication of the suitability of the candidate to be qualified as independent.

Lists with at least three candidates must be made up of candidates belonging to both genders, so that at least one third (rounded up) belong to the gender with fewest representatives.

Lists presented without observing the above provision are considered as not having been presented.

The Board of Directors will be elected as follows:

a) the Directors will be taken from the list that receives most votes, in the progressive order in which they are listed, apart from one;

b) the remaining Director is taken from the minority list, in no way connected, not even indirectly, to those who presented or voted the list indicated under letter a), and which obtained the second highest number of votes. Should the minority list pursuant to letter b) fail to achieve a percentage of votes at least equal to half of that required, in compliance with the above, for the presentation of the lists, all the Directors to be elected will be taken from the list pursuant to point a).

In the event of an even vote between the lists, the winning list will be that presented by the Shareholders with the highest shareholding at the time of presentation of the list, or by the highest number of Shareholders. If, with the candidates appointed using the above methods, it is not possible to ensure the appointment of a number of independent Directors pursuant to art. 148 TUF equating to the minimum number established by law in relation to the total number of Directors, the non-independent candidate pursuant to art. 148 TUF elected last in progressive order in the list that received the highest number of votes, pursuant to letter a) above, will be replaced by the first independent candidate pursuant to art. 148 TUF according to the progressive order of the same list, not elected, or, otherwise, by the first independent candidate pursuant to art. 148 TUF according to the progressive order of the other lists, not elected, or, according to the number of votes obtained by each one. This replacement procedure will be used until the Board of Directors is made up of a number of independent Directors pursuant to art. 148 TUF equating to at least the minimum number established by law. Lastly, if this procedure does not ensure the required result, the replacement will take place with the resolution made by the Shareholders' Meeting with the relative majority following presentation of candidacies of subjects in possession of the aforesaid requirements. Moreover, if, with the candidates elected with the methods indicated above, it is not possible to ensure the composition of the Board of Directors in compliance with the regulations in force at the time to uphold the gender balance, the candidate of the gender most represented, elected as last in progressive order in the list that has received the highest number of votes, will be replaced by the first candidate of the gender least represented of the list, not elected, in accordance with the progressive order. This replacement procedure will be used until the Board of Directors is made up in compliance with the regulations in force at the time in relation to the gender balance. Lastly, if this procedure does not ensure the required result, the replacement will

take place with the resolution made by the Shareholders' Meeting with the relative majority following presentation of candidacies of subjects belonging to the gender least represented. If just one list is presented or if no list is presented at all, the Shareholders' Meeting passes resolution with the legal majorities, without observing the above procedure, in order to ensure (i) the presence of independent Directors pursuant to art. 148 TUF equating to at least the minimum number established by the legislation in force at the time and (ii) the respect of the regulations in force at the time in relation to the gender balance.

If, during the year, one or more Directors should cease to hold office, as long as the majority is still made up of Directors appointed by the Shareholders' Meeting, the following procedure shall be adopted in compliance with art. 2386 c.c.:

a) the Board of Directors proceeds with the replacement, choosing from the members of the same list to which the Director no longer in office belonged and the Shareholders' Meeting passes resolution with the legal majorities, respecting the same criterion;

b) should there be no more candidates not previously elected or candidates with the necessary requirements on the aforesaid list, or if, for any reason, it is not possible to respect the provisions of letter a), the Board of Directors goes ahead with the replacement, as subsequently provided for by the Shareholders' Meeting, with the legal majorities without considering the list vote.

In any case, the Board of Directors and the Shareholders' Meeting will go ahead with the election in order to ensure: (i) the presence of the total minimum number of independent Directors pursuant to art. 148 TUF required by the legislation in force at the time; and (ii) the respect of the regulations in force at the time in relation to the gender balance.

If the majority of the Directors elected by the Shareholders' Meeting should cease to hold office due to resignation or another cause, the entire Board shall cease to hold office, effective from the date of the subsequent reconstitution of such body. In this case, the Shareholders' Meeting must be called urgently by the Directors still in office to elect the new Board of Directors.

The Directors cease to hold office in the cases envisaged by the law and by the Articles of Association.

In the meeting held on 11 July 2019, the Board decided to continue not to adopt a plan for the succession of the executive directors, taking into account the current shareholder structure and the stability of the Board.

#### **4.2 Composition [art. 123-bis, par. 2, lett. d) and d-bis), TUF]**

The Shareholders Meeting held on 24 August 2018 appointed the Board of Directors, determining the number of members of the Board as eight. The Board of Directors thus appointed will remain in office for three years, until the approval of the financial statements relating to the year ending 30 April 2021.

The Board of Directors in office is made up as follows:

- Paolo Castellacci (Executive Chairman)
- Moreno Gaini (Deputy Executive Chairman)
- Giovanni Moriani (Deputy Executive Chairman)
- Alessandro Fabbroni (Managing Director)
- Angelica Pelizzari (Director)
- Maria Chiara Mosca (Director)
- Luigi Gola (Director)

- Angela Oggionni (Director)

At the time of the renewal of the Board of Directors, two lists were presented, in compliance with the provisions of the Articles of Association. Paolo Castellacci, Moreno Gaini, Giovanni Moriani, Alessandro Fabbroni, Angelica Pelizzari, Luigi Gola and Angela Oggionni were taken from the list presented by the majority shareholder ITH S.p.A. (which, at the time, held 52.814% of the Company's share capital) and was voted by the majority of the share capital represented at the Shareholders' Meeting (equating to 73.77% of the voting capital). Maria Chiara Mosca was taken from the list presented by a group of shareholders (Anima SGR S.p.A., fund manager for: Anima Crescita Italia, Anima Geo italia and Anima iniziativa Italia; Anthilia Capital Partners SGR S.p.A. fund manager for Anthilia Small Cap Italia; Eurizon Capital SA fund manager for Equity Small Mid Cap Italy; Eurizon Capital SGR S.p.A. fund manager for Eurizon Azioni PMI Italia; Fideuram Asset Management (Ireland) SA - Fonditalia Equity Italy; Interfund Sicav - Interfund Equity Italy and Mediolanum Gestione Fondi SGR S.p.A. fund manager for: Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia), which, at the time, held a total of 4.04% of Sesa's share capital; this list was voted by the minority of the share capital represented at the shareholders' meeting (equating to 26.168% of the voting capital).

The members of the Board of Directors include three independent directors, Ms Maria Chiara Mosca, Mr Luigi Gola and Ms Angela Oggionni, in compliance with art. 148, par. 3, of the TUF, as mentioned by art. 147-ter, par. 4, of the TUF and by art. 3 of the Self-Governance Code, in compliance with art. 2.2.3, par. 3, letter m) of the Regulation of the Borsa and by art. IA.2.10.6 of the Instructions for Regulation of the Borsa, both applicable to issuers in possession of STAR qualification.

At the end of the 2017-2018 business year, the Board of Directors was made up as follows

- Paolo Castellacci (Executive Chairman)
- Moreno Gaini (Deputy Executive Chairman)
- Giovanni Moriani (Deputy Executive Chairman)
- Alessandro Fabbroni (Managing Director)
- Angelica Pelizzari (Director)
- Luigi Gola (Director)
- Angela Oggionni (Director)
- Giovanna Zanotti (Director)

For further information regarding the Board of Directors in office until 24 August 2018, reference should be made to the previous report on corporate governance available on the Issuer's website at [www.Sesa.it](http://www.Sesa.it), in the "Corporate Governance" section.

The *curricula vitae* of the Directors, containing thorough information on the personal and professional characteristics of each one of them, are available on the Company website, in the "*Corporate governance – Board of Directors*" section.

### **Diversity criteria and policies**

You are informed, in accordance with art. 123-bis, paragraph 2, lett. d-bis) of the TUF that, during the meeting held on 11 July 2019, the Company's Board of Directors resolved to continue not to formulate and apply diversity policies in relation to the composition of the management with regard to aspects such as age, gender, managerial and professional skills, also at international level, training, the presence of different groups in terms of age and service, taking into account the fact that: *a*) the current composition of the corporate bodies is already adequately diversified (the members having been elected on the basis of the then binding legislation on gender balance)

and ensures an adequate balance between people with complementary skills and experience, so as to ensure the efficient operation of the corporate bodies; *b*) the Company, through the adoption of its own Code of Ethics and the promotion of an articulated corporate welfare programme, is constantly committed to guaranteeing respect, at all levels, of diversity and equal opportunities, with the aim, among other things, of fully optimising human resources and promoting the values of pluralism and professionalism. The Group's attention to these issues is also reflected in the Sustainability Report, available on the Company's website in the "Investor Relations - Shareholders' Meetings" section, to which reference should be made in full.

## Structure of the Board of Directors and Committees

Board of Directors													Audit and Risks Committee			Remun. Committee		Strategic Committee	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non-Exec.	Indep. Code	Indep. TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman#	Paolo Castellacci	30/03/1947	30/01/2013	24/08/2018	Approval of financial statements 30/04/2021	M	Yes				11	7/8					2/2	P	
Managing Director #	Alessandro Fabbroni	03/03/1972	27/11/2012	24/08/2018	Approval of financial statements 30/04/2021	M	Yes				8	8/8					2/2	M	
Deputy Chairman#	Moreno Gaini	14/09/1962	22/02/2013	24/08/2018	Approval of financial statements 30/04/2021	M	Yes				4	8/8							
Deputy Chairman#	Giovanni Moriani	19/11/1957	22/02/2013	24/08/2018	Approval of financial statements 30/04/2021	M	Yes				9	8/8					2/2	M	
Director	Angela Oggionni	08/06/1982	28/08/2015	24/08/2018	Approval of financial statements 30/04/2021	M		Yes	Yes	Yes	4	8/8	3/3	M	3/3	M			
Director	Angelica Pelizzari*	18/10/1971	22/02/2013	24/08/2018	Approval of financial statements 30/04/2021	M		Yes			7	8/8	1/1		1/1		2/2	M	
Director	Maria Chiara Mosca	22/12/1972	24/08/2018	24/08/2018	Approval of financial statements 30/04/2021	m		Yes	Yes	Yes	/	5/5	3/3	C	3/3	M			
Director	Luigi Gola	13/09/1933	15/07/2013	24/08/2018	Approval of financial statements 30/04/2021	M		Yes	Yes	Yes	/	7/8	4/4	M	4/4	P	2/2	M	
<b>DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR OF REFERENCE</b>																			
Director	Giovanna Zanotti	18/03/1972	22/02/2013	22/02/2013	Approval of financial statements 30/04/2018	NA		Yes	Yes	Yes	/	2/3	1/1	P	1/1	M			
<b>No. of meetings held during the year of reference: 8</b>						<b>Audit and Risks Committee: 4</b>				<b>Remun. Committee: 4</b>				<b>Strategic Committee: 2</b>					
<b>Quorum required for presentation of the lists by the minorities for the election of one or more members (pursuant to art. 147-ter TUF): 2.5%</b>																			

\* Following the renewal of the corporate bodies on 24 August 2018, Angelica Pelizzari ceased to be a member of the Remuneration and Audit and Risks Committees.





## NOTES

The symbols indicated below must be entered into the "Office" column:

• This symbol indicates the director appointed for the internal audit and risk management system.

◊ This symbol indicates the Issuer's chief executive officer.

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

\* The date of first appointment of each director is the date on which the director was appointed for the first time (absolutely) in the Issuer's Board of Directors.

\*\* This column indicates the list from which each director is taken ("M": majority list; "m": minority list; "BoD": list presented by the BoD; "NA": if the directors have been appointed by the Shareholders Meeting with the legal majority, following presentation of a single list of candidates or no list at all).

\*\*\* This column indicates the total number of offices of director or auditor covered by the party concerned in other companies listed on regulated markets (including foreign markets), in financial, banking and insurance companies which may be competitors or of considerable dimensions. In the Report on corporate governance, the offices are indicated in full.

(\*) This column indicates the participation of the directors in the meetings of the BoD and the committees respectively (indicate the number of meetings in which the director participated compared to the total number of meetings in which he could have participated; e.g.: 6/8; 8/8 etc.).

(\*\*). This column indicates the qualification of the board member within the Committee: "C": chairman; "M": member.

N.a.: not applicable.

# This symbol indicates an office in the Board of Directors of the Sesa Foundation, a non-profit organisation with aims of social solidarity set up on 8 July 2014

## Maximum accumulation with offices held in other companies

Notwithstanding the fact that in compliance with Principle 1.C.2 of the Code, directors are required to accept the office when they believe they can devote the necessary time to the diligent performance of their duties, during the meeting held on 11 July 2019, in view of the numerous situations that are theoretically possible, the Board did not define and formalise the general criteria relating to the maximum number of management and auditing assignments in other companies which might be considered compatible with the effective pursuit of the role of Director of the Issuer, notwithstanding each Board Member's right to assess the compatibility of the offices of management and audit, held in other companies listed on regulated markets (including foreign markets), in financial, banking and insurance companies, which may be competitors or of considerable dimensions, with the diligent pursuit of the tasks undertaken as Board Member of the Issuer.

The Board of Directors did, however, monitor the compatibility of the offices held in the above companies by its members. During the session held on 11 July 2019, the Board, in consideration of the outcome of the check on the offices held by its Members in other companies, felt that the number and the quality of the offices held does not interfere and is therefore compatible with the effective pursuit of the office of Director of the Issuer.

As regards the offices held, on the date of this report, by the Directors of the Issuer in other companies listed on regulated markets (including foreign markets), financial, banking and insurance companies which might be competitors or of considerable dimensions, please see the table below.

Name and surname	Company	Office in the company or investment held	Assignments of Management and Control
Paolo Castellacci	Computer Gross Italia S.p.A.	Chairman of the Board of Directors	Management
	Computer Gross Nessos S.r.l.	Chairman of the Board of Directors	Management
	Collaboration Value S.r.l.	Chairman of the Board of Directors	Management

	ITF S.r.l.	Chairman of the Board of Directors	Management
	ITH S.p.A.	Chairman of the Board of Directors	Management
	Sesa S.p.A.	Chairman of the Board of Directors	Management
	HSE S.p.A.	Director	Management
	Arcipelago Cloud S.r.l.	Chairman of the Board of Directors	Management
	Inn-3D S.r.l.	Appointed Board Member	Management
	Icos S.p.A.	Director	Management
	Ict Logistica S.r.l.	Chairman of the Board of Directors	Management
	Cabel Holding S.p.A.	Director	Management
<b>Moreno Gaini</b>	Computer Gross Italia S.p.A.	Deputy Chairman of the Board of Directors	Management
	CGN S.r.l.	Director	Management
	Sesa S.p.A.	Deputy Chairman of the Board of Directors	Management
	<i>HSE S.p.A.</i>	<i>Director</i>	<i>Management</i>
	ITH S.p.A.	Director	Management
<b>Giovanni Moriani</b>	Delta Phi Sigla S.r.l.	Chairman of the Board of Directors	Management
	M.K. Italia S.r.l.	Director	Management
	Var Evolution S.r.l.	Deputy Chairman of the Board of Directors	Management
	Sesa S.p.A.	Deputy Chairman of the Board of Directors	Management
	Sirio Informatica e Sistemi S.p.A.	Director	Management
	Var Group S.p.A.	Chairman of the Board of Directors	Management
	Tech-Value S.r.l.	Director	Management
	Var Group S.r.l.	Director	Management
	HSE S.p.A.	Director	Management
	ITH S.p.A.	Director	Management
<b>Alessandro Fabbri</b>	ICT Logistica S.r.l.	Appointed Board Member	Management
	ITH S.p.A.	Appointed Board Member	Management
	Idea Point S.r.l.	Director	Management

	Sesa S.p.A.	Managing Director	Management
	Arcipelago Cloud S.r.l.	Appointed Board Member	Management
	Ipoc 1 S.r.l.	Director	Management
	Digital Value S.p.A.	Director	Management
	Tech Value S.p.A.	Director	Management
	Sailing S.r.l.	Director	Management
<b>Angela Oggionni</b>	Ipoc S.r.l.	Director	Management
	Sesa S.p.A.	Director	Management
	Italian Wine Brands S.p.A.	Director	Management
	Electa Ventures S.r.l.	Director	Management
	The Organic Factory S.p.A.	Director	Management
<b>Luigi Gola</b>	Sesa S.p.A.	Director	Management
<b>Angelica Pelizzari</b>	Anthos Vermögensverwaltungs GmbH, Munich (Germany)	Sole Director	Management
	Dottori.It S.r.l.	Director	Management
	Immobiliare.it S.p.A.	Managing Director	Management
	Sesa S.p.A.	Director	Management
	Uala S.r.l.	Director	Management
	VAM SR2 INVEST S.r.l.	Deputy Chairman of the Board of Directors	Management
	Mediacom S.r.l.	Director	Management
	Electa Ventures S.r.l.	Director	Management
<b>Maria Chiara Mosca</b>	Sesa S.p.A.	Director	Management

## Induction Programme

The characteristics of the information of the board and the information supplied by the Strategic Committee and by the Managing Director allow the Directors, also through participation in the relative initiatives in the forms considered most appropriate, to obtain adequate knowledge of the business sector in which the Issuer operates, of the company dynamics and their evolutions, of the principles of correct risk management, as well as the relative legislative and self-regulatory framework of reference. In particular, during the meetings of the Strategic Committee, prompt updates were supplied in relation to the various market studies – published by national and international trade associations – relating to the Issuer’s reference sector, in order to highlight the evolutionary trends of the sector in which the Issuer operates.

It should be noted, also in compliance with IA 2.10.1, par. 2, of the Instructions for Regulation of the Borsa that, in compliance with art. 2.2.3, par. 3, lett. m) of the Regulation of the Borsa, restricted to issuers in possession of STAR qualification, the composition of the Board of Directors, as well as the role and the functions of the non-executive and independent directors are

regulated with respect for the principles and applicative criteria envisaged by articles 2 and 3 of the Code, as explained in further detail herein.

### **4.3 Role of the Board of Directors [art. 123-bis, par. 2, lett. d), TUF]**

The Board of Directors plays a central role in the company organisation and the functions and responsibility of strategic and organisational direction answer to it. It is also responsible for checking the existence of the audits necessary to monitor the performance of the Issuer and of the Sesa Group companies

Each member of the Board of Directors is required to pass resolution diligently and independently, pursuing the aim of creating value for the Shareholders, and undertakes to dedicate the time necessary to the office held within the Company to guarantee the diligent pursuit of his/her duties, regardless of the offices held outside the Sesa Group, being aware of the responsibilities inherent in the office held.

To this end, each candidate for the office of Director preventively assesses, at the time of acceptance of the office in the Company and regardless of the limits established by the law and regulations that might be applicable with regard to the limitation of the accumulation of offices, the capacity to perform, with the due attention and effectiveness, the tasks assigned to him/her, taking into particular consideration the total commitment required by the offices held outside the Sesa Group.

Each member of the Board of Directors is also required to inform the Board of the undertaking of the office of director or statutory auditor in other companies, in order to permit the fulfilment of the reporting obligations in compliance with the laws and regulations applicable.

In compliance with art. 18 of the Articles of Association, the Board of Directors is granted the broadest powers for the ordinary and extraordinary management of the Company, with the faculty to perform all the deeds considered appropriate for the pursuit of the business purpose, excluding only those reserved to the Shareholders Meeting by law.

In compliance with art. 15 of the Articles of Association, the board of directors is granted the faculty, notwithstanding the concurrent competence of the extraordinary Shareholders' Meeting, to take on the resolutions concerning mergers and demergers in the cases envisaged by articles 2505 and 2505-bis, c.c., the setting up or shutting down of secondary offices, the indication of which among the Directors shall represent the Company, the reduction of the share capital in the event of withdrawal by a Shareholder, the adaptations of the Articles of Association to legislative provisions, the transferral of the registered office within Italy, all in compliance with art. 2365, par. 2, c.c.

In any case, the competence assigned to the Shareholders' Meeting and the board of directors jointly with regard to transactions with related parties, remain valid, in compliance with articles 13 and 23 of the Articles of Association and the Related Parties Procedure (as defined herein) adopted by the Board of Directors on 23 September 2013, as subsequently amended. For more information, see paragraph 12 of this Report.

The Board of Directors - within the limits of the applicable provisions of the law, regulations and the articles of association - may appoint one or more Managing Directors or an Executive Committee (art. 16 of the Articles of Association). They hold the powers of management assigned to them when they were elected (art. 18 of the Articles of Association).

On the date of this Report, the Board of Directors had not set up an Executive Committee. For information on the appointment and the functions of the appointed bodies, see paragraph 4.4.

In compliance with the law, during meetings and at the intervals indicated by the applicable provisions, the Board of Directors and the Board of Statutory Auditors are informed, also by the delegated bodies, on the activities performed by the Company and by its subsidiaries, on the general progress of operations and on the foreseeable outlook, as well as major economic, financial and equity transactions, with particular regard to the transactions in which Directors hold interest in their own right or that of third parties. The Board also regularly compares the results attained with those scheduled.

Communication is usually released during board meetings, and at least on a quarterly basis. When particular circumstances make it appropriate, it may also be released in writing to the Chairman of the Board of Statutory Auditors.

In compliance with art. 17 of the Articles of Association, the Board of Directors meets, also outside of the registered office as long as the meeting takes place within the European Union, every time that the Chairman considers it appropriate, or when a meeting is requested by a Managing Director (if appointed) or by at least two Directors, notwithstanding the powers of convocation attributed to other parties in compliance with the law. For the resolutions of the Board of Directors to be valid, the effective presence of the majority of Directors in office and the favourable vote of the majority present are necessary. In the event of a draw, the chairman's vote carries.

In compliance with art. 2381 c.c., the Chairman of the Board coordinates the works and ensures that adequate information on the matters recorded in the agenda are supplied to all board members

The prompt and complete nature of the pre-meeting information is guaranteed by sending the documentation at least seven days before the date of the Board Meeting. This term is usually respected in the dispatch of documentation for the Board Members.

Board meetings may be attended also by executives of the Issuer and the Group companies to provide appropriate details on the items on the agenda.

\*\*\*

Taking into account the mandates granted to the Directors, as explained in paragraph 4.4, the following are reserved to the Board, in compliance with the provisions of applicative criterion 1.C.1. lett. a) of the Code:

- the examination and approval of the Issuer's strategic, industrial and financial plans, as well as the regular monitoring of their implementation;
- the examination and approval of the strategic, industrial and financial plans of the Group led by the Issuer, as well as the regular monitoring of their implementation;
- the definition of the Issuer's corporate governance system;
- the definition of the structure of the Group led by the Issuer.

\*\*\*

During the meeting held on 24 August 2018, the Board attributed to the Chairman, the Managing Director and the two Deputy Chairman the powers pursuant to paragraph 4.4.

The Board met eight times during the Year, on the following dates:

- 16 May 2018;
- 12 July 2018;

- 26 July 2018;
- 24 August 2018;
- 13 September 2018;
- 19 December 2018;
- 15 February 2019;
- 12 March 2019.

For the percentage of attendance of the meetings by each director, please see the “Structure of the Board of Directors and Committees” table in paragraph 4.2.

Minutes were recorded for all the meetings. During the periodical meetings held during the year, the Board of Directors and the Board of Statutory Auditors, also through the appointed bodies, were informed of the activities performed and the main financial, economic and equity operations carried out by the Company or by the subsidiaries, and the outlook of operation.

The board meetings lasted an average of approximately 48 minutes.

At least five Board Meetings are planned for the year running from 1 May 2019 to 30 April 2020. In addition to those already held on 10 May and 11 July 2019, the calendar of the main corporate events for 2019/2020 (already communicated to the market and to Borsa Italiana S.p.A. in compliance with regulations, and subsequently updated) envisages at least three more meetings on the following dates: 12 September 2019, 19 December 2019 and 12 March 2020.

During the session held on 11 July 2019, the Board assessed the adequacy of the Issuer's organisational, administrative and general accounting system along with that of the subsidiaries characterised by strategic importance, as prepared by the Managing Director, with particular reference to the Risk Management and Audit System, in compliance with applicative criterion 1.C.1. lett. c) of the Self-Governance Code. In performing this inspection, the Board of Directors:

- i) on a preliminary basis, confirmed the subsidiaries Computer Gross Italian S.p.A and Var Group S.p.A as those holding strategic importance, in that they represent the main sources of the development of the Group's characteristic business activity; ii) it then not only checked the existence and the implementation of a Risk Management and Audit System by the Issuer and the subsidiaries, but also proceeded regularly with a detailed examination of the structure of said system, its suitability and its effective and tangible operation.

To this end, the Board of Directors regularly received and examined the reports drawn up by the Manager of the Internal Audit Function, which had already been examined by the Audit and Risks Committee and by the Managing Director, in order to check (i) whether the structure of the Internal Audit and Risk Management System employed by the Company and by the subsidiaries really is effective for the pursuit of the aims and (ii) whether any weaknesses reported implicate the need to improve the system.

The Board of Directors also, during the annual approval of the draft financial statements:

- a) examines the significant business risks brought to its attention by the Managing Director and assess how they have been identified, assessed and managed. To this end, particular attention is paid to examining the changes that have taken place during the last year of reference, in the type and the extension of risks and the assessment of the response to these changes by the Issuer and the subsidiaries;
- b) assesses the efficiency of the Internal Audit and Risk Management System in coping with these risks, placing particular attention on any inefficiencies that have been reported;
- c) considers which actions have been taken or must be promptly undertaken to rectify the situation;

- d) prepares any additional policies, processes and behavioural rules which allow the Issuer and the subsidiaries to react adequately to new risk situations or those that have not been properly managed.

\*\*\*

During the Year, the Board assessed the general performance of management, taking into particular consideration the information received from the Directors holding mandates and comparing the results attained with those scheduled.

In consideration of the mandates granted to the Executive Directors, pursuant to paragraph 4.4., you are informed that during the session held on 11 July 2019 the Board resolved, in compliance with applicative criterion 1.C.1. lett f) of the Code, to confirm its conviction that, in addition to the operations of the Issuer, also those of its subsidiaries that occupy a significant strategic, economic, equity and financial role for said Issuer must be reserved to the board of directors. To this end, during the meeting held on 17 July 2015, so as confirmed in the meeting held on 11 July 2019, the Board established the general criteria for identifying the operations that play a significant strategic, economic, equity and financial role for said Issuer: in particular, the Board examines and approves the strategic business choices and all those operations that are of particular importance, having assumed a behavioural standard that considers operations that might significantly condition, either positively or negatively, the activity and the operating results.

During the same meeting on 11 July 2019, the Board carried out its annual assessment for the Year, in compliance with the applicative criterion 1.C.1. lett. g) of the Code, in the belief that the size, composition and operation of the board of directors are adequate in relation to the operational and organisational needs of the Company. Adequate diversification is ensured with reference to age, managerial and professional skills, training, the presence of different groups in terms of age and length of service, also taking into account the presence, out of a total of eight members, of four non-executive Directors, three of whom are independent non-executive Directors, who also guarantee an appropriate composition of the Committees set up within the Board. This assessment process took place in May 2019. It concerned the Year and was carried out on the basis of a questionnaire for the self-assessment of the board of directors, which was sent to all the Board Members. The questionnaire - divided into various areas of investigation, such as composition (also relating to age, gender composition, managerial and professional skills, also of an international nature, training, the presence of different groups in terms of age and length of service), structure, dimension, operation and dynamics of the Board, interaction with management, risk governance, composition and structure of the Committees, and with the possibility to make comments and proposals - was filled in by all the Directors and shared by the Board. As stated above, the outcome of the assessment was that the board of directors and the relative Committees were found suitable for the pursuit of their respective functions, also with specific reference to the Independent Directors.

On this matter, it should be noted that the Board, taking into account the outcome of the assessment made during 2018-2019, informed the shareholders, before the appointment of the new Board, on 24 August 2018, of indications on the professional and managerial figures whom it is felt should be part of the Board. In particular, the Board asked that the Shareholders, when presenting the lists: (i) maintain the existing ratio of Executive Directors to Non-Executive Directors (ii) remember that the presence of qualified persons and experience in the reference sector is helpful in order to support the Board in the analysis of the scenarios and in the understanding of the evolution of the business and markets.



The Shareholders' Meeting did not authorise exceptions to the ban on competition envisaged by art. 2390 c.c.

#### **4.4 Appointed bodies**

##### **Chairman and Deputy Chairmen of the Board of Directors**

In accordance with the Articles of Association, the Chairman of the Board of Directors holds the powers of the chair of the Shareholders' Meeting (art. 12), to call Board Meetings and to coordinate the work carried out during them (art. 17). the power to represent the Company before third parties and in judgement, without limits of any kind (art. 19).

The Chairman, Paolo Castellacci, is not the Issuer's chief executive officer, nor is he the Issuer's controlling shareholder.

The Board of Director passed a resolution on 24 August 2018 assigning the Chairman of the Board of Directors all the powers of ordinary administration due to the Board of Directors with regard to the management of relations with suppliers and customers, business development activities, institutional relations, entry into agreements for the purchase and sale of products and services, the powers to participate in the shareholders' meetings of subsidiaries and investee companies and the powers of extraordinary administration, including the purchase, sale, exchange or granting of shareholdings, real estate or business branches and the stipulation of mortgages, leases and loans for amounts up to 5,000,000 euros. He also holds all the powers for legal and procedural representation of the Company.

The Board believes that the granting of operational mandates to the Chairman meets the Issuer's appreciable organisational needs lying in the streamlining of the operation of the Company's Board of Directors.

The meeting of the Board of Directors held on 24 August 2018 also appointed two Executive Deputy Chairmen, Moreno Gaini and Giovanni Moriani, granting them the mandates described below.

The Board assigned the Executive Deputy Chairman Moreno Gaini all the powers of ordinary administration held by the Board of Directors for the management of investments in the Information Technology value distribution through the subsidiary Computer Gross Italia S.p.A. and the other subsidiaries belonging to the IT value distribution.

In compliance with art. 19 of the Articles of Association, the Deputy Chairman, Moreno Gaini, is responsible for representing the Company within the limits of his powers of management.

With reference to the Executive Deputy Chairman Giovanni Moriani, the Board assigned him all the powers of ordinary administration held by the Board of Directors with regard to the management of investments held in the software and system integration services system through Var Group S.p.A. and its subsidiaries.

In compliance with art. 19 of the Articles of Association, the Deputy Chairman, Giovanni Moriani, is responsible for representing the Company within the limits of his powers of management.

##### **Managing Director**

The Board of Directors can appoint one or more Managing Directors to whom to delegate its powers and attributions, within the limits of the law and the Articles of Association (art. 16).

During the meeting held on 24 August 2018, the Board of Directors confirmed Alessandro Fabbroni as the Company's Managing Director, assigning him the powers of ordinary administration held by the Board of Directors in relation to the management of business functions of administration, finance, management audits, legal office investor relations, corporate affairs, management of human resources, organisation and IT, including the faculty to hire and fire employees, the management of relations with welfare and social security departments, the fulfilment of obligations pursuant to law 81/2008 and legislative decree 196 of 30 June 2003, the performance of bank and factoring transactions and the application to banks and financial institutions for credit lines, with the faculty to issue power of attorney. He was also assigned, separately from the Chairman, the powers held by the Board of Directors with regard to the management of relations with suppliers and customers, business development activities, institutional relations, entry into agreements for the purchase and sale of products and services, and the powers necessary to participate in the shareholders' meetings of subsidiaries and investee companies. The powers for extraordinary financial transactions, including the purchase, sale, exchange or granting of shareholdings, real estate or business branches and the stipulation of mortgages, leases and loans of any kind, for amounts up to 5,000,000 euros, are also granted. In compliance with art. 19 of the Articles of Association, the Managing Director represents the Company within the limits of his powers of management.

### **Executive Committee**

The Issuer's Board has not formed an Executive Committee within its structure.

### **Reporting to the Board**

The appointed bodies reported promptly to the Board of Directors and to the Board of Statutory Auditors at the first useful board meetings, on the activities performed, the general performance of operations and the foreseeable outlook, as well as the most important transactions in terms of size and characteristics carried out by the Company and its subsidiaries.

#### **4.5 Other executive board members**

The Issuer has no other Executive board members.

#### **4.6 Independent directors**

In compliance with the combined provisions of articles 147-ter, par. 4 and 148, par. 3 TUF and in observance of art. 3 of the Code, compliant with art. 2.2.3, par. 3, lett. m) of the Regulation of the Borsa and with art. IA 2.10.6 of the Instructions of the Regulation of the Borsa – both applicable to issuers admitted to the STAR segment - the Board of Directors currently comprises three Independent Directors (Maria Chiara Mosca, Luigi Gola and Angela Oggionni), who:

- (i) *do not control the Issuer, either directly or indirectly, even through subsidiaries, trusts or intermediaries, nor are they able to exercise significant influence over it;*
- (ii) *do not take part, either directly or indirectly, in any corporate agreement through which one or more subjects might exercise control or a significant influence over the Issuer;*
- (iii) *are not and have not been during the previous three years, leading exponents (meaning the Chairman, legal representative, Chairman of the Board, an Executive Director or an executive holding strategic responsibilities) of the Issuer, of one of its subsidiaries holding strategic importance, of a company subject to joint control with it, of a company or an*

*organisation which, even jointly with others by way of a corporate agreement, controls the Issuer or is able to exercise considerable influence over it;*

- (iv) do not have, or have not had during the previous year, either directly or indirectly (for example through subsidiaries or companies in which they are leading exponents in the sense indicated under point (iii) above, or in their capacity as partners of a professional studio or of a consulting company), a significant commercial, financial or professional relationship: (a) with the Issuer, with one of its subsidiaries, or with any of their leading exponents, in the sense indicated under point (iii) above; (b) with a subject that, also jointly with others through a corporate agreement, controls the Issuer, or - being a company or an organisation - with the leading exponents, in the sense indicated under point (iii) above, thereof, and do not have, or have not had during the previous three years, a relationship of employment with the aforementioned subjects;*
- (v) notwithstanding that indicated under point (iv) above, they do not have freelance or employment relationships, or other equity or professional relationships such as to compromise their independence: (a) with the Issuer, with its subsidiaries or parent companies or which companies subject to joint control; (b) with the Directors of the Issuer; (c) with spouses, family members or relations up to the fourth degree of the Directors of the companies pursuant to point (a);*
- (vi) do not receive and have not received during the previous three years, from the Issuer or from a subsidiary or a parent company, significant remuneration in addition to the "fixed" emolument of Non-executive Director of the Issuer, including participation in incentive-based plans linked to business performance, also on a stock basis;*
- (vii) have not been Directors of the Issuer for more than nine of the last twelve years;*
- (viii) do not hold office as Executive Director in another company in which an Executive Director of the Issuer holds office as a director;*
- (ix) are not shareholders or directors of a company or of an organisation belonging to the network of the company appointed to carry out the auditing of the Issuers accounts;*
- (x) are not closely related to a person who is in one of the situations pursuant to the previous points and are not spouses, family members or relations up to the fourth degree of the Directors of the Issuer, of its subsidiaries, of its parent companies and those subject to joint control.*

On this matter, it should be noted that for companies holding STAR qualification, like Sesa, pursuant to the combined provisions of Articles 2.2.3, paragraph 3, letter m) of the Regulation of the Borsa and IA 2.10.6 of the relevant Instructions, the number of independent directors is considered adequate when at least two independent directors are present if the Board of Directors is composed - as in the case of Sesa - of a number of members up to eight.

The Board assesses the existence and the permanence of the above requirements, on the basis of the information that those concerned are required to supply under their own responsibility, or the information available to the Board.

The Board of Directors, on the basis of the declarations made by the directors and of the information available to the Company, ascertained, on the first useful occasion following appointment, this being the meeting held on 24 August 2018, the existence of the requirements of independence, in compliance with the provisions of art. 3 of the Code, and articles 147-ter, paragraphs 4 and 148, paragraph 3 of TUF, in the directors Maria Chiara Mosca, Luigi Gola and

Angela Oggionni. The Board then announced the outcome of its assessments in a press release to the market. The independent directors have undertaken to maintain their independence during their term of office and, where appropriate, to resign.

It should also be noted that at the Board meeting held on 11 July 2019, the Board carried out the annual verification of the requirements of independence for Independent Directors in compliance with Application Criterion 3.C.4 of the Code. It should be noted that, in compliance with art. 15, par. 5 of the Issuer's Articles of Association, *"the absence of the requisites of independence indicated in art. 148, par. 3, TUF in a Director does not determination termination of office if the requisites are still held by the majority of the Directors who, in compliance with the legislation in force, must possess said requisites"*.

In carrying out the above assessments, the Board has applied all the criteria envisaged by the Code.

In the board meetings held on 24 August 2018 and 11 July 2019, the Board of Statutory Auditors acknowledged that the criteria and procedures adopted by the Board to assess the requisites of independence have been correctly applied.

The Independent Directors met during the Year in the absence of the other Directors three times, on the following dates: 12 November 2018, 14 May 2019 and 5 June 2019.

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

The Company has not appointed a lead independent director, taking into account the fact that the conditions pursuant to art. 2.C.4 of the Self-Governance Code do not exist; in fact, the Chairman of the Board of Directors is not the person ultimately responsible for the management of the Company, nor does he control the Company.

## **5. HANDLING OF CORPORATE INFORMATION**

### ***Procedure for internal management and external communication of Privileged Information***

Since the session held on 25 June 2013, the Board has adopted a procedure for internal management and external communication of Privileged Information, as subsequently amended by the Board on 11 July 2019.

The above procedure came into force from the date of deposit with Borsa Italiana of the application for admission to the negotiations of ordinary shares and warrants of the Company on the MTA.

The procedure for internal management and external communication of privileged information, as amended, contains the provisions relating to the management of confidential information and to the management and external communication of privileged information pursuant to article 7 of EU regulation 596/2014 regarding the Issuer and parties that have a controlling relationship with it, including the Company's subsidiaries, when said information acquires a privileged nature for Sesa. Privileged information is subject, in compliance with the legislation in force, to a general obligation of communication to the public as soon as possible, in compliance with the methods established in said procedure. In alternative to the obligation of immediate disclosure, the Issuer may, under determined conditions, delay the reporting of privileged information, accepting all liability for such delay.

All members of the corporate boards, employees and collaborators of the Company and its

subsidiaries who have access for any reason to confidential and privileged information are required to respect the above procedure.

The term privileged information is used to describe information of a precise nature which has not been made public – directly or indirectly concerning the Company or its financial instruments - and which, if made public, could have a significant effect on the prices of such financial instruments or on the prices of financial derivatives linked to them.

### ***Procedure for the management of the Group Register of persons with access to Privileged Information***

With particular reference to the obligation for listed issuers, their subsidiaries and the people who act in their name and on their behalf, to set up and manage a register of persons who have access to privileged information pursuant to article 18 of EU Regulation 596/2014 and the EU Execution Regulation 347/2016, it should be noted that, during the meeting held on 25 June 2013, the Board of Directors adopted a "Procedure for the management of the Group Register of persons with access to Privileged Information", as subsequently amended by the same Board on 11 July 2019. The above procedure came into force from the date of deposit with Borsa Italiana of the application for admission to the negotiations of ordinary shares and warrants of the Company on the MTA.

### ***Internal Dealing Procedure***

As regards management of the fulfilment of reporting obligations deriving from the discipline of Internal Dealing pursuant to art. 114, par. 7 of the TUF and articles 152-*quinquies*, 1, 152-*sexies*, 152-*septies* and 152-*octies* of the Consob Issuers' Regulation, and to article 19 of EU Regulation 596/2014 and relative European execution regulations and mandates, it should be noted that, since 25 June 2013, the Issuer has implemented a procedure for fulfilment of the obligations on the matter of Internal Dealing, as recently amended by the Board on 11 July 2019 (the "Internal Dealing Procedure"). The above procedure came into force from the Listing Date and aims to ensure the utmost transparency and standardisation of reporting to the market.

The Internal Dealing procedure and details of the operations carried out during the year such as to require relative communications are available on the Company website, [www.sesa.it](http://www.sesa.it), in section "Corporate Governance – Internal Dealing".

## **6. COMMITTEES WITHIN THE BOARD [art. 123-bis, paragraph 2, lett. d), TUF]**

The Remuneration Committee, the Audit and Risk Committee, the Committee for Transactions with Related Parties and the Strategic Committee have been set up within the Board.

It should be noted, in compliance with IA 2.10.1, par. 2, of the Instructions for Regulation of the Borsa that, in compliance with art. 2.2.3, par. 3, lett. n) the setting up and the function of the committees within the Board of Directors are regulated with respect for the principles and applicative criteria envisaged by art. 4 of the Code, as explained in further detail herein.

According to that resolved by the Board on 19 July 2013, as confirmed in the board meeting on 24 August 2018, the Strategic Committee, a committee not envisaged by the Code, is made up of five members: (a) the Chairman of the Board of Directors and the Managing Director as rightful

members; and (b) the other members chosen according to the best skills and willingness to do the job.

On this matter, you are reminded that, following the renewal of the company boards by the Shareholders Meeting on 24 August 2018, during the meeting held on the same date the Board of Directors confirmed the members of the Strategic Committee, until the approval of the financial statements for the financial year ending 30 April 2021, the Directors Paola Castellacci (Chairman), Alessandro Fabbroni, Luigi Gola, Angelica Pelizzari and Giovanni Moriani.

The Strategic Committee is a consultative body that supplies non-binding opinions to the Board of Directors concerning: (i) market analyses and strategic scenarios for the development of the Group's business; (ii) the preparation of the Group's business plans; and (iii) operations/initiatives of significant strategic importance for the Group, such as, for example, assessments of entry into new geographical and business markets, high-profile joint ventures with industrial groups.

In compliance with the Regulation of the Strategic Committee approved by the Board during the session held on 23 December 2013, the Committee meets as often as is necessary for the pursuit of its functions or when the Chairman sees fit, also by request of one or more of its members.

By invitation of the Chairman, the meetings of the Committee may be attended, in relation to the single items on the agenda, by non-members of the committee whose contribution to the work is considered useful.

The participant who holds a personal interest or represents the interest of a third party with reference to the subject of the discussion, shall inform the Committee and abstain from taking part in the resolution.

The Board of Directors is informed by the Chairman of the resolutions passed by the Committee at the first useful meeting.

During the Year, the Strategic Committee met twice, on 25 May 2018 and 12 November 2018.

In the pursuit of its activities, the Committee has the possibility to access the information and business functions necessary for the performance of its tasks.

The average duration of the meetings was about 1 hour.

Minutes were recorded for all the Committee meetings.

In the pursuit of its activities, the Committee had the possibility to access the information and business functions necessary for the performance of its tasks.

## **7. APPOINTMENTS COMMITTEE**

It should be noted that, considering the dimensions and the organisational structure of the Company, as well as its stock structure - characterised by a high level of concentration -, the Board of Directors, during the meeting held on 11 July 2019, confirmed that it did not feel - as things stand - the need to set up a Committee for the appointment of Directors.

## **8. REMUNERATION COMMITTEE**

On 25 June 2013, the Company's Board of Directors, in compliance with the Code, set up a Remuneration Committee.

It should be noted that, in compliance with IA 2.10.1, par. 2, of the Instructions for Regulation of the Borsa, which, in compliance with art. 2.2.3, par. 3, lett. o) of the Regulation of the Borsa, limited to issuers in possession of STAR qualification, the Remuneration Committee is made up of Non-executive Directors, most of whom are independent.

On this matter, you are reminded that, following the renewal of the company boards by the Shareholders Meeting on 24 August 2018, during the meeting held on the same date, the Issuer's Board of Directors appointed, until the approval of the financial statements for the financial year ending 30 April 2021, Luigi Gola (Independent Director and Chairman), Angela Oggionni (Independent Director) and Maria Chiara Mosca (Independent Director).

On the closing date of the 2017/2018 business year, the members of the Remuneration Committee were the Independent Director Luigi Gola (Chairman), the Independent Director Giovanna Zanotti and the Non-executive Director Angelica Pelizzari.

For further information regarding the Remuneration Committee in office until 24 August 2018, reference should be made to the previous report on corporate governance available on the Issuer's website at [www.Sesa.it](http://www.Sesa.it), in the "Corporate Governance" section.

It should be noted that, in the Issuer's opinion, in accordance with and by the effects of art. 6.P.3 of the Self-governance Code, all the members of the Remuneration Committee are recognised as possessing adequate knowledge and experience of financial matters or remuneration policies, as assessed by the Board at the time of appointment of the Committee members.

No Executive Director takes part in the meetings of the Remuneration Committee in which proposals to the Board of Directors relating to his/her remuneration are formulated.

### **Functions assigned to the Remuneration Committee**

The Remuneration Committee is a consultative and propositional body with the task of formulating proposals to the Board of Directors for the definition of the remuneration policy for Directors and executives with strategic responsibilities.

The setting up of this Committee guarantees the most extensive information and transparency on payments due to Executive Directors, as well as the respective methods used to determine them. It is, however, understood that, in compliance with art. 2389, par. 3 c.c., the Remuneration Committee holds propositional functions only, while the power to determine the remuneration of the Directors holding special offices is handled by the Board of Directors, having heard the opinion of the Board of Statutory Auditors.

According to that resolved the Board of Directors on 25 June 2013 and according to that envisaged by the Regulation of the Remuneration Committee adopted by the Board on 23 December 2013, in addition to that envisaged by the Remuneration Policy adopted by the Company (cf. paragraph 9 of this Report), the Remunerations Committee is also responsible for the tasks pursuant to art. 6 of the Code, particularly:

- a) proposing the adoption of the policy for remuneration of Directors and executives with strategic responsibilities and any amendments and/or integrations of the same, with reference to the group as a whole. Therefore, the retributive policies of the group's two main subsidiaries, Computer Gross Italia S.p.A. and Var Group S.p.A. will be analysed and a check will be run to ensure that there are no more executives with strategic responsibilities within the group setting;

- b) regularly assessing the adequacy, the overall consistency and the tangible application of the policy for the remuneration of directors and executives with strategic responsibilities of the Sesa Group, using the information supplied by the managing directors; formulating proposals on the matter to the Board of Directors;
- c) expressing opinions to the Board of Directors on the remuneration of executive directors and other directors holding particular offices, as well as on the setting of performance targets related to the variable component of such remuneration; monitoring the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance targets.

*Regulation of the Remuneration Committee approved by the Board on 23 December 2013*

In compliance with that envisaged by art. 4, applicative criterion 4.C.1, lett. e) f the Self-governance Code, in the pursuit of its functions, the Remuneration Committee has the faculty to access information and the business functions necessary for the pursuit of its tasks, also engaging external consultants.

In compliance with the Regulation of the Remuneration Committee, the Committee Chairman is responsible for planning and coordinating the Committee's activities, presiding over and guiding the relative meetings, representing the Committee at the meetings of the Board of Directors, and signing the opinions and any reports to be submitted to the Board of Directors, in the Committee's name. When absent or impeded in any way, the Chairman is replaced for all purposes by the eldest Committee member.

In compliance with the above Regulation, the Committee meets as often as is necessary for the pursuit of its functions or when the Chairman sees fit, also by request of one or more of its members.

The meeting is called by the Chairman or whomsoever is acting in his stead, using any means suitable to reach all those concerned, including phone calls and e-mails, at least two business days before the date set for the meeting, apart from in emergencies, in which case a shorter period of notification is allowed. The call to the meeting must also be brought to the attention of the Chairman of the Board of Statutory Auditors.

The Committee meetings are held - also by audio or video-conference - at the registered office or in another place, and are presided over by the Chairman or, in the event of his absence or impediment, by the eldest Committee member.

For the meetings to be valid, the presence of the majority of the members is required. Minutes are drawn up of the meetings of the Remuneration Committee. The Board of Directors is informed by the Chairman of the resolutions passed by the Committee at the first useful meeting.

The work of the Committee is attended by the Chairman of the Board of Statutory Auditors or another auditor appointed by him. By invitation of the Chairman, the meetings of the Committee may be attended, in relation to the single items on the agenda, also by non-members of the committee whose contribution to the work is considered useful.

The participant who holds a personal interest or represents the interest of a third party with reference to the subject of the discussion, shall inform the Committee and abstain from taking part in the resolution, on the understanding that no Executive Director takes part in the meetings



of the Committee in which proposals to the Board of Directors relating to his/her remuneration are formulated.

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During the Year, the Remuneration Committee met four times, on 20 June 2018, 13 September 2018, 12 November 2018 and 12 March 2019.

Minutes were drawn up of the meetings of the Remuneration Committee.

The resolutions passed by the Committee were announced by the Chairman of the Board of Directors at the first useful meeting.

The Remuneration Committee meetings lasted approximately one hour.

For the percentage participation by each Director in the meetings of the Remuneration Committee see the Table named "Structure of the Board of Directors and Committees" in paragraph 4.2.

At least four meetings are planned for Remuneration Committee for the year from 1 May 2019 to 30 April 2020, in addition to that already held on 28 May 2019.

During the Year, the activities performed by the Remuneration Committee were focused mainly on supervising the policy for the remuneration of directors and executives with strategic responsibilities in the Company, to submit to the approval of the Company's Board of Directors. The Committee also acknowledged the following activities performed by the Group's Human Resources Department:

- company welfare programme and loyalty of the Group's human resources;
- plan for development of human capital;
- benchmark with the major listed Italian companies, Mercer Italia 2017 report and reference peers;
- state of implementation of Law 81/2008;
- human capital recruitment plan for 2018-2019.

The work of the Remuneration Committee during the year was attended by the Chairman of the Board of Statutory Auditors plus one Statutory Auditor.

In the pursuit of its activities, the Remuneration Committee had the possibility to access the information and business functions necessary for the performance of its tasks, particularly involving the Group's human resources department.

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No financial resources were destined to the Remuneration Committee, in that it uses the Issuer's business structures and means for the pursuit of its tasks.

## **9. REMUNERATION OF DIRECTORS**

The remuneration of the Directors is established by the Shareholders' Meeting. In compliance with art. 15 of the Articles of Association, the Shareholders Meeting can determine a total amount for the remuneration of all the Directors, including those holding particular offices, to be divided by the Board in compliance with the law. The Directors are entitled to reimbursement of the expenses sustained in the performance of their functions. The ordinary Shareholders' Meeting

may also acknowledge the directors a payment and an indemnity at the end of their mandate, also in the form of an insurance policy.

The Company's Remuneration Policy referred to the year was adopted by the Board of Directors on 12 July 2018, as proposed by the Remuneration Committee, and was subject to the consultative vote of the ordinary Shareholders' Meeting on 24 August 2018.

It should also be noted, in compliance with IA 2.10.1, par. 2 of the Instructions for Regulation of the Borsa that, in compliance with art. 2.2.3, par. 3, lett. o) of the Regulation of the Borsa, restricted to issuers in possession of STAR qualification, the remuneration of directors is regulated with respect for the principles and applicative criteria 6.C.4, 6.C.5 and 6.C.6 envisaged by art. 6 of the Code.

On this matter, it should also be noted that, in compliance with art. IA.2.10.1 of the Regulations of the Borsa, in order to obtain (and, therefore, maintain) STAR qualification, it is necessary for a significant part of the remuneration of executive directors, general managers and other executives with strategic responsibilities to be linked, also in the form of remuneration plans based on financial instruments or profit sharing, to the economic results achieved by the Issuer and/or to the achievement of specific targets set not exclusively in the short term.

At the time of renewal of the Issuer's company boards on 24 August 2018, the ordinary Shareholders' Meeting resolved the total amount of the annual payments due to the entire board of directors for the years for which the Board shall remain in office, as indicated below:

- Euro 691,000 for year 1 May 2018 - 30 April 2019;
- Euro 691,000 for year 1 May 2019 - 30 April 2020;
- Euro 691,000 for year 1 May 2020 - 30 April 2021;
- Euro 42,917 a month for the period from 30 April 2021 until the date of approval of the financial statements closed at 31 April 2021.

The Board of Directors, during the meeting held on 24 August 2018, resolved to make the gross payments for the year. In particular, during the afore-mentioned meeting on 24 August 2018, the Board resolved to pay the gross payments to the Directors, as illustrated below:

Payments for the first year 1 May 2018 – 30 April 2019:

- fixed payment (RAL) of Euro 236,000 for the Chairman of the Board of Directors, Mr Paolo Castellacci;
- fixed payment (RAL) of Euro 45,000 for each executive board member;
- fixed payment (RAL) of Euro 24,000 for each non-executive board member;
- variable payment (RAL) of Euro 36,000 for the Chairman of the Board of Directors, Mr Paolo Castellacci;
- variable payment (RAL) of Euro 20,000 for each executive board member;

Payments for the year 1 May 2019 – 30 April 2020:

- fixed payment (RAL) of Euro 236,000 for the Chairman of the Board of Directors, Mr Paolo Castellacci;
- fixed payment (RAL) of Euro 45,000 for each executive board member;
- fixed payment (RAL) of Euro 24,000 for each non-executive board member;
- variable payment (RAL) of Euro 36,000 for the Chairman of the Board of Directors, Mr Paolo Castellacci;
- variable payment (RAL) of Euro 20,000 for each executive board member;

Payments for the year 1 May 2020 – 30 April 2021:

- fixed payment (RAL) of Euro 236,000 for the Chairman of the Board of Directors, Mr Paolo Castellacci;
- fixed payment (RAL) of Euro 45,000 for each executive board member;
- fixed payment (RAL) of Euro 24,000 for each non-executive board member;

- variable payment (RAL) of Euro 36,000 for the Chairman of the Board of Directors, Mr Paolo Castellacci;
  - variable payment (RAL) of Euro 20,000 for each executive board member;
- Monthly payments for the period from 30 April 2021 until the date of approval of the financial statements closed at 31 April 2021:
- gross fixed monthly payment of Euro 19,667 for the Chairman of the Board of Directors, Mr Paolo Castellacci;
  - gross fixed monthly payment of Euro 3,750 for each executive board member;
  - gross fixed monthly payment of Euro 2,000 for each non-executive board member.

It should be noted that, unlike the Chairman, the Executive Deputy Chairmen and the Managing Director receive, in addition to their remuneration as directors of the parent company Sesa, further remuneration as executives and/or directors of group companies as detailed in Table 1 annexed to the Remuneration Report drawn up pursuant to art. 123-ter of the TUF and art. 84-quater of the Consob Issuers' Regulations.

It should also be noted that, during the same session held on 24 August 2018, the Board resolved to assign (i) to the Chairman of the Remuneration Committee, a gross emolument of Euro 8,000 and, to the other members, a gross emolument of Euro 6,000 for the pursuit of the activities connected to their office; (ii) to the Chairman of the Risks and Control Committee, a gross emolument of Euro 8,000 and, to the other members, a gross emolument of Euro 6,000 per year, for the pursuit of the activities connected to their office; (iii) to the Chairman of the Strategic Committee, a gross emolument of Euro 8,000 and, to the other members, a gross emolument of Euro 6,000 for the year for the pursuit of the activities relating to the office; (iv) to the Appointed Director, a gross payment of Euro 8,000 for the year.

Lastly, at the meeting held on 24 August 2018, the Board of Directors resolved to make available a supplementary pension and/or insurance policy, with the four executive directors as beneficiaries, for an annual amount of Euro 12,000 each, for the three-year period from 2018 to 2021.

In line with the Company's Remuneration Policy for the Year, adopted by the Board of Directors on 12 July 2018, the remuneration of non-executive and independent Directors consists of a fixed annual payment and a payment for participation in committees as stated above.

The remuneration of the executive Directors for the year consisted of a fixed payment and a variable payment, which may be of monetary nature (cf above) or based on financial instruments (cf herein). The fixed payment is determined as an amount sufficient to remunerate (also taking into account any amount paid if the Executive Director also holds the office of Chairman of the Board of Directors and/or the function of Executive with strategic responsibilities) the performance of the Executive Director if the variable components are not paid. The variable payment is determined on the basis of reaching specific annual quantitative targets related to performance indices. For the year from 1 May 2018 to 30 April 2019, a total variable monetary component of Euro 81,000 gross was paid.

As regards incentive plans based on financial instruments adopted by the Company, it should be noted that, on 25 August 2017, the ordinary Shareholders' Meeting approved, in accordance with and by the effects of art. 114-bis of the TUF, the creation of an incentive and loyalty plan called the "2018-2020 Stock Grant Plan", which envisages the right of the executive directors of SeSa S.p.A. and of the two board members appointed to the commercial management of the subsidiaries Computer Gross Italia S.p.A. and Var Group S.p.A. to freely receive a total number of up to 189,000 shares upon reaching annual and three-year targets.

On 13 September 2017, following a proposal by the Remuneration Committee, and with the approval of the Board of Statutory Auditors, the Issuer's Board of Directors approved the Regulation of the 2018-2020 Stock Grant Plan resolved by the aforesaid Shareholders' Meeting held on 25 August 2017, in accordance with and by the effects of art.114-bis of the TUF. Following a proposal by the Remuneration Committee, and with the approval of the Board of Statutory Auditors, with the abstention of the executive directors, the Board of Directors also (i) identified the beneficiaries of the Plan as the Company's four Executive Directors, (Paolo Castellacci - Chairman, Giovanni Moriani - Deputy Chairman, Alessandro Fabbioni - Managing Director and Moreno Gaini – Deputy Chairman), along with the executive directors with commercial mandates of the subsidiaries Var Group S.p.A. and Computer Gross Italia S.p.A., and (ii) resolved to assign them the right to free receipt, subject to reaching the annual and three-year value creation targets at Group level (EBITDA, net financial position and EVA) set for 2018, 2019 and 2020, of the total of 189,000 ordinary shares at the service of the 2018-2020 Stock Grant Plan, as follows.

- for each of the four executive directors of Sesa: 9,000 Annual Shares (as defined in the report drawn up in compliance art. 84-bis Consob Issuers' Regulation) for each tax year, and 13,500 Three-Year Shares (as defined in the report drawn up in compliance art. 84-bis Consob Issuers' Regulation);
- for each of the two executive directors with commercial mandates in the subsidiaries Var Group S.p.A. and Computer Gross Italia S.p.A.: 3,000 Annual Shares for each tax year and 4,500 Three-year Shares.

On 11 July 2019, the Board of Directors, having heard the opinion of the Remuneration Committee and checked that the Annual Target for the year from 1 May 2018 to 30 April 2019 had been reached, assigned the beneficiaries of the 2018-2020 Stock Grant Plan :

- i)* 9,000 ordinary shares in the Company to each of the Issuer's Executive Directors;
- ii)* 3,000 ordinary shares in the Company to each executive director with a commercial mandate of the subsidiaries Var Group S.p.A. and Computer Gross Italia S.p.A..

In compliance with the principles envisaged by article 6 of the Self-governance Code and article IA.2.10.1 of the Instructions for the Regulation of the Borsa applicable to companies belonging to the STAR segment, the 2018-2020 Stock Grant Plan represents a significant part of the remuneration of the beneficiary directors, to be paid subject to the achievement of specific performance targets both in the short and medium-long term.

The characteristics of the 2018-2020 Stock Grant Plan, including the conditions and requirements for its implementation, are described in the report drawn up in compliance with Article 84-bis of the Consob Issuers' Regulations. Details of the "2018-2020 Stock Grant Plan" can be found on the Company's website at [www.sesa.it](http://www.sesa.it) in the "Investor Relations - Shareholders' Meetings" section.

The remuneration of the Executive Directors also envisages fringe benefits, such as pension, insurance and additional healthcare policies, as envisaged by the collective national labour contract for Industrial and Commercial Executives (e.g.: Fondo Mario Negri, Fondo Pastore, Fasdac, Fasi and Previndai as well as an extra professional life and accident insurance policy). No other non-monetary benefits are envisaged.

With particular reference to the agreements that envisage indemnities in the event of early termination of the relationship, Sesa and the Group companies indicate that no agreements were signed for advance regulation of the acknowledgement of such indemnities.

The remuneration of Executives with strategic responsibilities (who also hold office as Executive Director) for the year of reference consists of a fixed payment. On this matter, it should be noted

that, as things stand, in addition to the two Executive Directors who also hold the office of Executives with strategic responsibilities, there are no other persons who hold this office in the Issuer's structure.

It should also be noted that, in relation to the variable components of remuneration recognised in favour of Executive Directors, contractual agreements are envisaged, allowing the Company to request the full or partial refund of the variable components of the remuneration paid (or to withhold sums subject to deferral), determined on the basis of data which, as proven by the competent company departments within a set term of disbursement, are shown to be manifestly incorrect (so-called clawback clause).

No agreements were entered into with Executives with strategic responsibilities which regulate ex ante the economic aspects in the event of termination of office or relating to the possible early dissolution of the relationship by the Company or the party concerned.

For further information on the Remuneration Policy adopted by the Issuer, please see the Remuneration Report drawn up in compliance with art. 123-ter of the TUF and art. 84-quater of the Consob Issuers' Regulation available within the terms of the law on the Company website at [www.sesa.it](http://www.sesa.it) in the "Investor Relations / Shareholders' Meetings" section.

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#### **Mechanisms to provide incentives for the Manager of the Internal Audit Function and the Director appointed to draw up the corporate accounting documents**

There are no mechanisms to provide incentives for the Manager of the Internal Audit function and the Director appointed to draw up the corporate accounting documents

### **10. AUDIT AND RISKS COMMITTEE**

The Company's Board of Directors, in compliance with the Code, has set up an Audit and Risks Committee.

It should be noted, in compliance with IA 2.10.1, par. 2 of the Instructions for Regulation of the Borsa that, in compliance with art. 2.2.3, par. 3, lett. p) of the Regulation of the Borsa, restricted to issuers in possession of STAR qualification, the Company has appointed an audit and risks committee in observance of principle 7.P.4 and with the functions pursuant to applicative criteria 7.C.1 and 7.C.2 envisaged by art. 7 of the Code.

The most important information on composition, operation and tasks assigned to it is provided below.

#### **Composition and operation of the Audit and Risks Committee [pursuant to art. 123-bis c.2 lett.d), TUF]**

As regards the composition of the Audit and Risks and Committee, you are reminded that, following the renewal of the company boards by the Shareholders' Meeting held on 24 August 2018, during the board meeting held on the same date, the Issuer's Board of Directors appointed the following persons as members of the Audit and Risks and Committee, to hold office until the year ending 30 April 2021: Maria Chiara Mosca (Independent Director and Chairman), Luigi Gola (Independent Director) and Angela Oggionni (Independent Director).

At the end of the 2017/2018 financial year, the Audit and Risks Committee was made up of Giovanna Zanotti (Independent Director and Chairman), Angelica Pelizzari (Non-executive

Director) and Luigi Gola (Independent Director). For further information regarding the Audit and Risks Committee in office until 24 August 2018, reference should be made to the previous report on corporate governance available on the Issuer's website at [www.Sesa.it](http://www.Sesa.it), in the "Corporate Governance" section.

The work of the Audit and Risks Committee is coordinated by a chairman and minutes are kept of all meetings; the Committee chairman discloses information on such work at the first useful meeting.

In compliance with principle 7.P.4. and applicative criterion 4.C.1. lett.a), the Audit and Risks Committee is made up of three independent members. At the time of the appointment of the committee, the Board of Directors deemed the experience held by all the members with regard to accounts and finance and/or risk management to be adequate.

In compliance with applicative criterion 4.C.1. lett. f) the meetings of the Audit and Risks Committee were attended during the year by the Chairman of the Board of Statutory Auditors (applicative criterion 7.C.3.). Moreover, with reference to the single items on the agenda, the meetings were also attended by: the Managing Director and the Director appointed to supervise the operations of the internal audit and risk management system; the Head of Internal Auditing, the Head of Management Control and Group Administration Processes, the Head of Administration, the Head of Investor Relations and the Head of Human Resources; they attended by invitation of the Committee. Attendance by people other than the Chairman of the Board of Statutory Auditors took place, as requested by the Committee, for all the meetings, in order to guarantee adequate support for the requirements formulated by its members.

### **Functions assigned to the Audit and Risks Committee**

In compliance with the provisions of art. 2.2.3, paragraph 3, letter p) of the Regulation of the Borsa Italiana limited to issuers holding STAR qualification, the Audit and Risks Committee is assigned the functions referred to in the applicative criteria 7.C.1 and 7.C.2 of the Self-governance Code. In particular, the Audit and Risks Committee is assigned the following functions:

- a) to assess, together with the director appointed to draw up the company's accounting documents, and having heard the independent auditor and the Board of Statutory Auditors, the correct use of the accounting standards and their homogeneity for the purposes of drawing up the consolidated financial statements;
- b) to express opinions on specific aspects relating to the identification of the main business risks;
- c) to examine the periodical reports on the assessment of the internal audit and risk management system and those of particular importance prepared by the Internal Audit function;
- d) to monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- e) to ask the Internal Audit function to carry out checks on specific operational areas, issuing reports on said checks to the Chairman of the Board of Statutory Auditors;
- f) to report to the Board at least once every six months, at the time of approval of the annual and half-year financial reports, on the activities performed, as well as on the adequacy of the internal audit and risk management system;
- g) to support, with an adequate preparatory activity, the assessments and decisions of the Board of Directors relating to the management of risks deriving from prejudicial facts of which the Board of Directors has become aware.

The Audit and Risks Committee also supplies opinions to the Board of Directors for the purposes of:

- a) definition of the guidelines of the internal audit and risk management system, so that the main risks relating to the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, also determining the degree of compatibility of these risks with a management of the business that is consistent with the strategic aims identified;
- b) assessment at least annually, of the adequacy of the internal audit and risk management system with respect to the characteristics of the business and the risk profile undertaken, as well as its effectiveness;
- c) approval at least annually, of the work plan prepared by the Manager of the Internal Audit Functions, having heard the board of Statutory Auditors and the Director appointed to oversee the internal audit and risk management system;
- d) description, in the report on corporate governance, of the main characteristics of the internal audit and risk management system and the methods of coordination among the parties involved in it, expressing its assessment of the adequacy of said system;
- e) assessment, having heard the Board of Statutory Auditors, of the results disclosed by the independent auditor in the letter of suggestions (where presented) and in the report on the fundamental issues that emerged during the independent audit;
- f) appointment and revocation of the manager of the internal audit function; adequacy of the resources available to the Manager of the internal audit function with respect to the fulfilment of his duties. The opinion is not binding;
- g) definition of remuneration of the Manager of the internal audit function in keeping with company policies. The opinion is not binding.

It should also be noted that the Issuer has identified in the Audit and Risks Committee, the body responsible for transactions with related parties, which, in compliance with the Related Parties Procedure, takes on the role of Related Parties Committee (see paragraph 12).

The Committee has always had its own operating regulations.

In compliance with the Regulation of the Audit and Risks Committee, the Committee has access to the information and business functions necessary for the pursuit of its tasks, and may engage external consultants, within the terms established by the Board of Directors. The Committee pursues its tasks with the aid of the Company structures and means.

The opinions, proposals and resolutions of the Committee are recorded in the minutes of the meeting. Minutes are drawn up of the meetings and the minutes, signed by the chairman and secretary of the meeting, are filed by the Company.

The Board of Directors is informed by the Chairman of the Committee of the resolutions passed by the Committee at the first useful meeting.

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During the Year, the Audit and Risks Committee met four times, on 20 June 2018, 13 September 2018, 12 November 2018 and 12 March 2019.

Minutes were drawn up of the meetings of the Audit and Risks Committee. The work of the Audit and Risks Committee was coordinated by the chairman.

The resolutions passed by the Committee were announced by the Chairman of the Board of Directors at the first useful meeting.

The average duration of the Committee meetings was 90 minutes.

For the percentage participation by each Director in the meetings of the Audit and Risks Committee see the Table named “Structure of the Board of Directors and Committees” in paragraph 4.2.

At least four meetings are planned for Audit and Risks Committee for the year from 1 May 2019 to 30 April 2020, in addition to those already held on 28 May 2019 and 11 July 2019.

During the Year, with reference to the single functions assigned to it, the Audit and Risks Committee, as resulting also from the minutes of the meetings, entered into the following activities:

- assessment of the content of the half-year and annual Audit Report with reference to the year ended 30 April 2018 and the main aspects of the Audit plan for the year ended 30 April 2019 drawn up by Internal Auditing;
- assessment of the content of the half-year reports on the activity performed by the Regulatory Body and the 2018/2019 Regulatory Programme;
- assessment of the content of the Report on Corporate Governance and the Ownership Structures in compliance with art. 123-bis del TUF;
- update of the Procedure for Operations with Related Parties;
- attainment of information on the main Group risks and disputes in progress;
- assessment of the internal audit and risk management system;
- approval of the Group's Governance Regulations and the Group's accounting manual;
- review of insurance coverage and risk mitigation procedures.

During the board meeting held on 11 July 2019, the Chairman of the Audit and Risks Committee reported to the Board of Directors on the activities pursued and the adequacy of the Internal Audit and Risk Management System.

In the pursuit of its activities, the Audit and Risks Committee had the possibility to access the information and business functions necessary for the performance of its tasks.

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No financial resources were destined to the Audit and Risks Committee, in that it uses the Issuer's business structures and means for the pursuit of its tasks.

## **11.0 INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

The Board of Directors of Sesa Spa regularly assesses the risks connected to:

- a. the sustainability of medium/long-term investments;
- b. the efficiency, effectiveness and economy of its management activities;
- c. the reliability of administrative-accounting reporting;
- d. the compliance of the operational activities with the compulsory and voluntary regulatory system which characterises company management.



The risk assessment process (identification and evaluation) relating to the above-mentioned spheres is based on: analysis of financial coverage and ability to create value of the investments made by top management (point a.); analysis of performances through a structured system of management control, applied by the group manager and controllers of the group companies (point b.); test on the reliability of the procedures linked with financial reporting, applied by the Internal Audit function and by specialised consultants (point c.); checks on the adequacy of company procedures/instructions in relation to the regulations in force and their adequate application, applied particularly by the Internal Audit function and the Regulatory Body pursuant to legislative decree 231/2001 (point d.).

The risk assessment system follows the strategic lines indicated by the Board of Directors, formulated on the basis of the indications provided by the Audit and Risks Committee.

The type and level of the company's perceived risks are reported specifically in the Annual Financial Report at 30 April 2019.

Based on the proposals of the Audit and Risks Committee, the Board of Directors defines the guidelines of the Internal Audit and Risk Management System (hereinafter "IARMS"), identifying its definition in line with the international reference standards. In particular, it is identified as *the combination of rules, procedures and organisational structures created to allow, thanks to an adequate process of identification, measurement, management and monitoring of the main risks, the healthy, correct running of the business in line with the targets set. This system contributes to guaranteeing the respect of laws and regulations, the reliability of the financial information, the efficiency and effectiveness of business operations and the defence of the company's equity.*

The Board of Directors, in line with the contents of par. 7.C.1 of the code of self-discipline, performs the role of guiding and assessing the adequacy of the internal audit and risk management system. To this end, the Board:

- a. defines the guidelines of the internal audit and risk management system, so that the main risks relating to the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, also determining the degree of compatibility of these risks with a management of the business that is consistent with the strategic aims identified;
- b. assesses at least annually, the adequacy of the internal audit and risk management system with respect to the characteristics of the business and the risk profile undertaken, as well as its effectiveness;
- c. approves, at least annually, the work plan prepared by the Manager of the Internal Audit Functions, having heard the board of Statutory Auditors and the Appointed Director;
- d. describes, in the report on corporate governance, of the main characteristics of the internal audit and risk management system, expressing its assessment of the adequacy of said system;
- e. assesses, having heard the Board of Statutory Auditors, the results disclosed by the independent auditor in the letter of suggestions (where presented) and in the report on the fundamental issues that emerged during the independent audit;

On 11 July 2019, the Board of Directors assessed, in compliance with applicative criterion 7.C.1, lett. b) of the Self-governance Code, the adequacy of the Internal Audit and Risk Management System in relation to the business characteristics and the risk profile undertaken, along with its effectiveness. The assessment is based on the information supplied by the Appointed Director for the Internal Audit and Risk Management System, the Internal Audit and Risk Management Committee, the Manager of the Internal Audit Function and the Board of Statutory Auditors.

On 11 July 2019, the Board of Directors, after a preliminary examination by the Audit and Risks Committee, examined the annual report of the head of the Internal Audit Function and the half-year report of the Regulatory Body.

On 19 December 2018, the Board of Directors, after a preliminary examination by the Audit and Risks Committee, also examined the half-year report of the head of the Internal Audit function and the half-year report of the Regulatory Body.

Before examining the tasks performed by each participant in the internal audit and risk management system of Sesa S.p.A., the “*main characteristics of the internal audit and risk management systems existing in relation to the financial reporting process in compliance with article 123-bis, paragraph 2, lett. b), TUF*” are outlined. This report is presented with reference to the indications contained in annex 1 of the Format for the report on corporate governance and ownership structures (edition 7 - January 2019) and is divided into two parts: a methodological “foreword” and a “description” of the implementing actions.

## 1. FOREWORD

In relation to the financial reporting process, the internal audit and risk management system is an integral part of the Company’s IARMS, which covers compliance and operational aspects in addition to reporting.

In relation to the financial reporting process, the internal audit and risk management system aims to guarantee the reliability, accuracy and promptness of financial reporting.

The planning, implementation, monitoring and update of the internal audit and risk management system in relation to the financial reporting process is formalised in specific documents subject to analysis by the corporate governance bodies in relation to the duties assigned to them.

The application of the internal audit and risk management system in relation to the financial reporting process follows the methodological approaches dictated by the best practice on the matter, with particular reference to the documents issued by the Committee of Sponsoring Organizations of the Treadway Commission (so-called “CoSO Reports”):

- *Internal Control-Integrated Framework* (2013 edition);
- *ERM - Integrating and Strategy with Performance* (2017 edition);

The first report lays down standards for understanding whether the internal audits are present and effective, and states that the internal audit system does not represent the tool for the definition and achievement of the aims – this being a managerial activity – as much as the means with which to identify and assess the risks that could prevent their achievement.

The second report supplies guidelines for understanding the link that exists between risk management, strategy and performance.

Compliant with the law, the *Executive Appointed to prepare the company's accounting documents* has drawn up specific *administrative and accounting procedures* for the operational aspects relating to bookkeeping and the periodical and annual accounting documentation, also at consolidated level. The aforesaid procedures are subject to regular certification in terms of adequacy and effectiveness.

The management of administrative-accounting procedures (update, dissemination, filing) is part of the business documentation management system and is monitored by the Internal Audit function and by the Regulatory Body with regard to sensitive processes within the scope of Legislative Decree 231 of 2001.

The company also uses tools for the *regular assessment* of the internal administrative and accounting audits, performing specific audits with the support of independent consultants, on their operational effectiveness.

The update/review of the administrative-accounting procedures and the results of the audit to assess internal audits are brought to the knowledge of and analysed by the corporate governance bodies (Board of Directors, Audit and Risks Committee, Board of Statutory Auditors).

## 2. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM EXISTING IN RELATION TO THE FINANCIAL REPORTING PROCESS

As suggested by the Borsa Italiana format, the paragraph has been structured in two sections, the first dedicated to the system performance phases and the second to the roles and functions.

### A) PHASES OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM EXISTING IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Company operates using a structured risk management system which operates at company/group level (entity level) and at process level.

At *entity level* the company uses organisational tools and mechanisms to outline the competence and responsibilities with regard to the identification, assessment, management and monitoring of the risks connected with the compliance of the financial reporting with respect to the legislation in force and the internal procedures adopted.

At *process level* the company has formalised a system of procedures with specific regard to: the bookkeeping process; the preparation of the financial reports; the fulfilment of obligations linked to financial reporting. The procedures are accompanied by special annexes indicating the audit standards for each process, subject to regular verification.

This said, the phases and methods of risk management/audit implemented by the Company in relation to the entities included within the consolidation setting are summarised in the following table:

SYSTEM PHASES	PERFORMANCE OF THE ACTIVITIES
1. IDENTIFICATION OF THE FINANCIAL REPORTING RISKS	The identification of risks, mistakes or fraud, with reference to the <i>claims on which the financial statements are based</i> (existence and occurrence, completeness, entitlements and obligations, evaluation and registration, presentation and reporting, validity, accuracy and data protection) and to <i>other audit aims</i> , such as: authorisation limits, division of tasks, physical security of goods, documentation and tracking of operations.
2. ASSESSMENT OF THE FINANCIAL REPORTING RISKS	The inherent risk is understood to be the possibility that a single area of the financial statements or a group of transactions might generate tangible errors, despite internal audits.  The assessment of the inherent risks takes place, for each individual entity, in consideration of the following aspects: type of characteristic assets, the complexity of the management operations and the sector of activity.
3. IDENTIFICATION OF AUDITS ON THE RISKS IDENTIFIED	The company has identified and formalised internal audits to prevent the risks identified in a special database. The database contains, among other things, the following information:  – the monitoring activities existing for each administrative-accounting process active at individual entity level;

	<ul style="list-style-type: none"> <li>– the characteristics (automatic/manual; key/non-key) and the frequency of the audits identified;</li> <li>– the subjects involved in the performance of the audits.</li> </ul> <p>Audits with a direct impact on assertion or the audit aims are qualified as “key audits”.</p>
4. ASSESSMENT OF AUDITS ON THE RISKS IDENTIFIED	<p>The assessment of internal audits on the risks identified takes place systematically, with tests performed by the Internal Audit system. Every six months, appropriate effectiveness tests are carried out, also with the support of KPMG S.p.A..</p> <p>The results of the tests carried out allow the governance bodies to analyse the assessment of the design and operation of the audits.</p> <p>The design is considered adequate when the audit is able to mitigate, to an acceptable level, the possible risk of failure to achieve the audit aim for which it was designed.</p> <p>The audit is effective if, during the period considered, it takes place in compliance with that envisaged by the design (procedure).</p>

The risks connected with the reliability of financial reporting are also monitored in relation to compliance with Model 231 and the Code of Ethics adopted by the Company and its main subsidiaries.

The general and specific audits envisaged for the financial reporting procedures in the Special Part of Model 231 adopted by the Company are regularly assessed also in line with the supervisory programmes formulated by the individual Bodies pursuant to Legislative Decree 231/2001 for the parent company and its main subsidiaries.

It should also be noted that the Company has been pursuing a compliance risk management strategy at group level for some time. This ensures the alignment of the documentation relating to the internal audit activities and avoids shortcomings in the reporting flows between the departments/functions involved in the internal audit activities. The integration concerns the glossary and documentation used to ensure compliance with the provisions of the law (Legislative Decree 231/2001, Law 262/2005, statutory, welfare and taxation legislation), the instructions issued by certification bodies (management system certification standards), internal regulations (Code of Ethics, Code of Conduct, Regulations, Specific Procedures and Instructions).

Information addressed to company management with regard to the adequacy and the operational success of the system is contained in the following documents:

- half-year report by the Manager of the Internal Audit function to the Board of Directors;
- half-year report by the Regulatory Body to the Board of Directors (for aspects relating to the implementation of Model 231);
- letter of suggestions of the company appointed to independently audit the accounts;
- specific reports presented by the appointed director following independent assessments.

## **B) ROLES AND FUNCTIONS INVOLVED.**

In relation to the financial reporting process, the organisation of the roles and functions involved in the internal audit and risk management system can be outlined in the following table:

PHASES OF THE PROCESS	BOD	ARC	AD AND AE	IA	BSA	RB
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PLANNING	V	V				
IMPLEMENTATION			V			
MONITORING	V	V	V	V	V	V
UPDATE			V			V

The Board of Directors (BoD) defines the aims and general architecture of the internal audit and risk management system relating to the financial reporting (planning) process, with particular reference also to the level of adequacy and reliability of the underlying procedures and information flows relating to the validity tests carried out (monitoring). The financial reporting process relating to the preparation of the consolidated financial statements and the separate financial statements is managed with a corpus of formalised rules and procedures, subject to regular internal audit, with respect to which the board receives a report at least every six months.

During the year:

- the Board used the reports of the Audit and Risks Committee, the appointed director and the internal audit bodies to assess the state of the system;
- The Audit and Risks Committee (“ARC”) supported the BoD in the planning and monitoring of the system, assessing the adequacy of the design and results of the internal audit tests envisaged by the procedures formalised;
- The Appointed Director of the internal audit and risk management system (“AD”), also holds the role of Appointed Executive for the preparation of company accounting reports (“AE”), and was responsible for the preparation, update and tangible operation of the procedures and rules important to the adequacy of the financial reporting process in line with the instructions of the BoD. The AE signed the certifications envisaged by article 154 bis, par. 5 of Legislative Decree 58/1998;
- The Manager of the Internal Audit function (“IA”) carried out checks on the adequacy of the procedures and the operation of the internal audit to monitor the risks connected with financial reporting, in compliance with the Audit Mandate assigned and the audit programme approved by the BoD;
- The Board of Statutory Auditors (“BSA”), in compliance with article 149 of Legislative Decree 58/1998, supervises the adequacy of the internal audit system and the administrative and accounting system, as well as the reliability of the latter in correctly portraying the management facts. The Board liaises with the IA for the performance of checks on administrative and accounting procedures;
- The Regulatory Body (“RB”) is involved in the monitoring of sensitive processes in compliance with Model 231 implemented by the company. With particular reference to the prevention of corporate crimes and in observance of the respective independence of action, it works with the IA to pursue its monitoring programme.

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### **11.1 Director appointed for the internal audit and risk management system**

On 24 August 2018, the Board confirmed as Appointed Director for the Internal Audit and Risk Management System, the Managing Director, Alessandro Fabbroni.

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The Appointed Director, in line with the contents of par. 7.C.4 of the self-governance code, performs his tasks within the scope and in implementation of the guidelines established by the Board, enlisting the aid of the Manager of the Internal Audit Function and in particular:

- (i) identified the main business risks, taking into account the characteristics of the activities performed by the issuer and by its main subsidiaries, and submitting them periodically to the examination of the Board of Directors, having also heard the opinion of the audit and risks committee;
- (ii) implemented the guidelines defined by the Board of Directors, taking care of the planning, accomplishment and management of the internal audit and risk management system and constantly verifying its adequacy and effectiveness;
- (iii) took care of the adaptation of said system to the dynamics of the operating conditions and the legislative and regulatory panorama;
- (iv) may ask the Internal Audit Function to carry out checks on specific operational areas and on the observance of internal rules and procedures, reporting at the same time to the Chairman of the Board of Directors, the Chairman of the Audit and Risks Committee and the Chairman of the Board of Statutory Auditors. It should be noted that, during the Year, the Appointed Director did not use the above power;
- (v) reports promptly to the Audit and Risks Committee (or to the Board of Directors) in relation to problems and critical situations that have arisen in the pursuit of his activity or which have been brought to his attention, so that the Committee (or the Board) can take the necessary steps.

The Appointed Director performed the functions established by the Board and regularly attended the meetings of the auditing bodies (Committees, Regulatory Body, Board of Statutory Auditors).

### **11.2 Manager of the internal audit function**

On 13 September 2018, the Board of Directors approved the annual audit plan for the year ended 30 April 2019, prepared by the manager of the Internal Audit function, having heard the Board of Statutory Auditors and the Appointed Director for the Internal Audit and Risk Management System.

The Manager of the Internal Audit Function is Michele Ferri, appointed by the Board of Directors on 24 August 2018 for three more years.

The Manager of the Internal Audit Function is not responsible for any operational area. He is subordinate to the Board, to which he proposes the annual programme and presents six-monthly reports. He reports functionally to the Appointed Director with which he coordinates the audit activities.

The Manager of the Internal Audit Function checks, both continually and in relation to specific needs, and in observance of the international standards, the operational success and suitability of the internal audit and risk management system, employing an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritisation of risks.

The resources made available to the Manager of the Internal Audit Function have been assessed and found adequate to the performance of the activities required.

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The Manager of the Internal Audit Function, in line with the contents of par. 7.C.5 of the self-governance code:

- a. checked, both continually and in relation to specific needs, and in observance of the international standards, the operational success and suitability of the internal audit and risk management system, employing an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks;
- b. had direct access to all the information useful for the pursuit of the assignment;
- c. prepared periodical reports containing adequate information on his activity, on the methods used to manage risks and on respect of the plans defined to limit them. The periodical reports contain an assessment of the suitability of the internal audit and risk management system;
- d. promptly prepared reports on events of particular importance;
- e. transmitted the reports pursuant to points iii) and iv) to the Chairmen of the Board of Statutory Auditors, the Audit and Risks Committee and the Board of Directors, as well as the Appointed Director;
- f. checked, within the scope of the audit plan, the reliability of the reporting systems including the account disclosure systems.

For the execution of the auditing activities during **2018-2019**, envisaged by the audit plan, the Internal Audit Function was able to engage in-house work teams dedicated to the development of special projects linked to the integration of the auditing procedures among different areas of management (Legislative Decree 231/2001, Law 262/2005, Quality management system) at group level for the identification and formalisation of centralised procedures and harmonised protocols at corporate level.

The in-house resources used devoted an adequate number of hours to the pursuit of the plan and involved skills relating to the audit of management, reporting systems and legal and corporate aspects, as well as all the managers involved in preparing the operational procedures.

As far as external resources are concerned, the IA function engaged the consulting services of KPMG Spa for the performance of checks on the efficiency of the administrative and accounting procedures of SESA S.p.A. and the Group, with particular reference to the presidia pursuant to Law 262 of 2005.

The total amount of resources outside the company can be quantified as 35,000 euros, for the implementation of the integrated compliance project.

As envisaged by the audit plan for FY 2018-2019, the main activities of the Internal Audit Function, regarded:

- support with identifying and assessing business risks, as well as defining risk monitoring and mitigation tools;
- support with improvement of the internal audit systems and the integrated management of group compliance with regard to matters relating to the adoption of the company's Model 231, the Code of the Ethics, protocols pursuant to Law 262/2005 and the quality management system;
- checks on the existing business procedures, as envisaged by the Audit Plan;
- operating control tests for the purposes of certification pursuant to art. 154-bis of the TUF.

### **11.3 Organisation model pursuant to Legislative Decree 231/2001**

Sesa Spa and the strategic subsidiaries (Computer Gross Italia Spa and Var Group Spa) have adopted a model of organisation, management and control, in compliance with Legislative Decree

231/2001 (also referred to hereinafter as “Model 231”). The model in question is integrated into the broader internal audit system adopted by the company and subject to regular update in relation to regulatory amendments and organisational changes. The update of the Models is carried out independently by each company with the methodological support of the group IA function.

In compliance with the suggestions made in art. 7 of the Self-Governance Code, the Board of Directors, at the meeting held on 24 August 2018, assigned the Board of Statutory Auditors the functions of regulatory body pursuant to Legislative Decree 231/2001.

Compliance with Legislative Decree 231/2001 is based on:

- **the Group code of ethics**, indicating the general principles (integrity, honesty, correctness, professionalism, continuity and attention to people) that inspire the Sesa Group and which qualify the fulfilment of the working obligations and behaviour in the workplace;
- **the risk assessment process** described in Model 231. In particular, the activities qualifying the model are the identification of the risks that offences will be committed, the assessment of the internal audit system existing within the Company in terms of capacity to reduce the risks identified to an acceptable level, the management of risks in the strict sense, the monitoring of the internal audit systems and the preparation of an adequate reporting flow among the various parties involved in the process envisaged by the model;
- **the map of the business areas at risk**, which envisages that the identification of the risks of the committing of offences pursuant to Legislative Decree 231/2001, shall take place via the identification of the alleged offences and their periodical update, the identification of sensitive processes or activities for the purposes of the committing of offences pursuant to Legislative Decree 231/2001, the identification of the hypothetical methods for the implementation of offences by sensitive process, the identification of the activities and mechanisms of control deemed suitable to prevent the committing of offences in the implementation methods envisaged;
- **the activity of the Regulatory Body**, which checks the respect of the procedures envisaged in model 231, formulates proposals to the Board of Directors or the pertinent business functions for any updates and adaptations of the organisational model adopted, prepares an annual oversight programme which is submitted to the Audit and Risks Committee and the Board of Directors, and prepares, for the same bodies, a half-year report on the activities performed.

Model 231 and the group’s Code of Ethics can be consulted in the "Corporate Governance" section of the Issuer's website at [www.sesa.it](http://www.sesa.it).

#### **11.4 Independent Auditor**

On 15 July 2013, the Company's ordinary Shareholders' Meeting, by proposal of the Board of Statutory Auditors, resolved to grant PricewaterhouseCoopers S.p.A. the job of auditing the Company's statutory and consolidated financial statements for the years from 30 April 2014 to 30 April 2022, in compliance with articles 14 and 16 of Legislative Decree 39/2010, as well as the auditing of the accounts limited to the Company's half-year financial report.

#### **11.5 Executive appointed to prepare the corporate accounting documents and other auditing roles and functions within the company**



In compliance with art. 20 of the Articles of Association, the Board of Directors, with the compulsory approval of the Board of Statutory Auditors, appoints and revokes the appointment of the executive appointed to prepare the corporate accounting documents, who is assigned the powers and functions established by law and by the other applicable provisions, as well as the powers and functions established by the Board at the time of appointment or by subsequent resolution. The Board of Directors also determines the payment of the aforesaid executive. The executive appointed to prepare the corporate accounting documents must possess, in addition to the requisites of honour prescribed by the regulations in force for those performing functions of administration and management, requisites of professionalism characterised by specific expertise in administrative and accounting matters. Such expertise, to be ascertained by the Board of Directors, must be acquired through experience working in a position of adequate responsibility for a congruent length of time.

The executive appointed to draw up the company accounting documents exercises this function in compliance with the specific *Regulation of the Executive Appointed to draw up the company accounting documents* prepared by the Company.

On 24 August 2018, the Issuer's Board of Directors, after checking the requisites pursuant to art. 20 of the Articles of Association, with the approval of the Board of Statutory Auditors, resolved (i) the confirmation of Alessandro Fabbroni as executive appointed to prepare the corporate accounting documents (ii) attribution to Mr Fabbroni of the powers and functions pursuant to art. 154-bis TUF and to the applicable provisions of the law and regulation. During the same meeting, the Board also established the payment of the appointed executive.

The appointed executive is responsible for the implementation of law 262/2005 also with the methodological support of and audit by a third party with respect to the independent auditor of the accounts, identified as KPMG S.p.A., appointed specifically on the basis of a long-term mandate in compliance with the audit continuity principle. The plan for the implementation of law 262/2005 is subject to systematic monitoring (at least quarterly) and falls within the scope of the internal audit defined in the annual audit programme.

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Another function that qualifies the Company's internal audit and risk management system is that appointed to carry out Management control.

In this sense, the Company interprets the function, assigning it a strategic role in the identification, assessment and monitoring of economic-financial risks, in support of the choices made by the Company's executive management. The main tasks can be summarised as follows:

- planning and budgeting for the definition of strategic and current aims;
- monitoring of the economic and financial events recorded during the year by period of accrual;
- monitoring of the economic and financial events during the year at consolidated level.

#### **11.6 Coordination between the subject involved in the internal audit and risk management system**

The methods of coordination set up by the Issuer among the various parties involved in the Internal Audit and Risk Management System guarantee an effective and efficient sharing of information among the bodies with these functions.

The coordination of the various parties involved in the internal audit and risk management system (Board of Directors, Appointed Director for the internal audit and risk management system, Audit and Risks Committee, Board of Statutory Auditors, Regulatory Body, Internal Audit Function, Executive Appointed to prepare the corporate accounting documents and other business roles and

functions with specific tasks in relation to internal audit and risk management) is ensured by the continuous flow of reports between said parties, achieved through periodical meetings. In particular, the Manager of the Internal Audit Function attended the meetings of the Board of Statutory Auditors, the Regulatory Body, and the Audit and Risks Committee, as well as continuous meetings with the Appointed Executive and with the managers of the various company functions.

The Chairman of the Board of Statutory Auditors attended the meetings of the Audit and Risks Committee and a member of the Board of Statutory Auditors is Chairman of the Regulatory Body.

The Board of Statutory Auditors and the Regulatory Body meet every six months with the representative of the independent auditor appointed to carry out the independent audit of the company accounts.

The Regulatory Body regularly meets the Audit and Risks Committee.

Moreover, the Appointed Director and the managers of the various company functions intervened during some of the meetings of the Board of Statutory Auditors and the Regulatory Body.

## **12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES**

With a view to implementing the applicative criteria envisaged by the Code, the Issuer has defined and implemented specific procedures on the matter of transactions with related parties, suited to guaranteeing the Directors complete and thorough information on the type of transactions.

### ***Procedure for Transactions with Related Parties***

At the meeting held on 23 September 2013, the Board of Directors resolved to adopt the "*Procedure for transactions with related parties*" (the "**Related Parties' Procedure**") implemented in accordance with Consob Regulation no. 17221 of 12 March 2010, as subsequently amended and supplemented (the "**Regulation of Related Parties**"), with effect from the Listing Date. This procedure is aimed at regulating transactions with related parties carried out by the Company, also through subsidiaries pursuant to art. 2359 of the Italian Civil Code or by companies subject to management and coordination activities, in order to guarantee the substantial and procedural correctness of such transactions, as well as correct disclosure to the market.

The Issuer has identified the Audit and Risk Committee as the body competent for transactions with related parties which, pursuant to the Related Parties Procedure, assumes the role of Related Parties Committee. On this matter, you are reminded that, following the renewal of the company boards by the Shareholders' Meeting held on 24 August 2018, during the board meeting held on the same date, the Issuer's Board of Directors appointed the following persons as members of the Audit and Risks and Committee, to hold office until the year ending 30 April 2021: Maria Chiara Mosca (Independent Director and Chairman), Luigi Gola (Independent Director) and Angela Oggionni (Independent Director).

At the end of the 2017/2018 financial year, the Audit and Risks Committee was made up of Giovanna Zanotti (Independent Director and Chairman), Angelica Pelizzari (Non-executive Director) and Luigi Gola (Independent Director).

For further information regarding the Audit and Risks Committee in office until 24 August 2018, reference should be made to the previous report on corporate governance available on the Issuer's website at [www.Sesa.it](http://www.Sesa.it), in the "Corporate Governance" section.

In compliance with the Related Parties' Procedure, if two Independent Directors are not present, or where, in relation to a determined transaction with related parties, one or more members of the

Related Parties' Committee declare a relationship with reference to the specific transaction, in defence of the substantial correctness of the transaction, transactions with related parties are approved following definition, by the Board of Directors, of presidia equivalent to those indicated above in defence of the substantial correctness of the transaction, including the enlistment of the aid of the Board of Statutory Auditors or of an independent expert. If the Board of Directors enlists the aid of the Board of Statutory Auditors, the members of said Board who have a vested interest in the transaction, either directly or through third parties, will inform the other Auditors, stating the nature, terms, origin and extent. In the case of more significant transactions, if three Independent Directors are not present, or where, in relation to a determined transaction with related parties, one or more members of the Related Parties' Committee declare a relationship with reference to the specific transaction, in defence of the substantial correctness of the transaction, transactions with related parties are approved by the unrelated Independent Directors who may be present, or are approved following definition, by the Board of Directors, of presidia equivalent to those indicated above in defence of the substantial correctness of the transaction, including the enlistment of the aid of the Board of Statutory Auditors or of an independent expert. If the Board of Directors enlists the aid of the Board of Statutory Auditors, the members of said Board who have a vested interest in the transaction, either directly or through third parties, will inform the other Auditors, stating the nature, terms, origin and extent.

The Related Parties' Procedure regulates the identification, approval and management of transactions with related parties. In particular, the Related Parties' Procedure:

- regulates the methods used to identify the related parties, defining the methods and timing for the preparation and update of the list of related parties and identifying the competent business functions;
- identifies the rules for identifying transactions with related parties prior to their completion;
- regulates the procedure for carrying out transactions with related parties by the Issuer, also through subsidiaries in compliance with art. 2359 c.c. or companies subject to management and coordination activities;
- establishes the methods and timing for the fulfilment of reporting obligations towards corporate bodies and the market.

In compliance with paragraph 5 of the Related Parties' Procedure, Directors with a vested interest in a transaction must promptly and thoroughly inform the Board of Directors of the existence of such interest and its circumstances, assessing, case by case, whether it is necessary for them to leave the board meeting when it is time to pass resolution or to abstain from voting. If the Director concerned is a Managing Director, the transaction will not be performed. In these cases, the resolutions of the Board of Directors adequately motivate the reasons and convenience for the Issuer of the transaction.

It should be noted, lastly, that during the Year, on 12 July 2018 to be precise, the Board of Directors made some changes to the Related Parties' Procedure.

The Related Parties Procedure and relative annexes can be consulted on the Issuer's website at [www.sesa.it](http://www.sesa.it), in the "Corporate Governance - Related Parties' Procedure" section.

### **13. APPOINTMENT OF THE STATUTORY AUDITORS**

In compliance with art. 21 of the Articles of Association, the Board of Statutory Auditors is made up of three effective and two supplementary auditors, who hold office for three years. Said office expires on the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their office and they can be re-elected.

The provisions of the Articles of Association that regulate the composition and appointment of the Board of Statutory Auditors of the Issuer are also suitable to guarantee the respect of the provisions on the defence of minorities and the balance between genders in the composition of the board of statutory auditors.

The Statutory Auditors have to be in possession of the requirements envisaged by law, by the Articles of Association and by other applicable provisions, also with regard to the limit to the accumulation of offices. For the purposes of art. 1, par. 3 of Decree of the Ministry of Justice no. 162, dated 30 March 2000, the matters (juridical, economic, financial and technical-scientific) and the sectors of activity connected with or inherent in the activity performed by the Company and pursuant to the business purpose must be considered as strictly relating to those of the business exercised by the Company.

Those in situations of incompatibility, as envisaged by the law, cannot be appointed as Statutory Auditors and, if elected, shall forfeit their office.

The appointment of the Board of Statutory Auditors takes place, in observance of the discipline in force at any given time for the balance between genders, on the basis of lists presented by the Shareholders in which the candidates must be listed under a progressive number. The lists is made up of two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Supplementary Auditor. For the presentation, deposit and publication of the lists, in addition to that envisaged by the Articles of Association, the provisions of the law and regulations in force at any given time apply.

Lists with a total of at least three candidates must be made up of candidates belonging to both genders, so that at least one third (rounded up) of the candidates for the office of Standing Auditor and at least one third (rounded up) of the candidates for the office of Supplementary Auditor belong to the gender with fewest representatives.

Every Shareholder, the Shareholders adhering to a significant corporate agreement in accordance with art. 122 TUF, the parent, the subsidiaries and companies subject to common control in compliance with art. 93 TUF, cannot present or take part in the presentation, not even through another person or a trust company, of more than one list, nor may they vote for different lists, and each candidate may only appear in one list otherwise they shall be disqualified from election. Adhesions and votes expressed in breach of this prohibition will not be attributed to any list.

Only Shareholders who, acting alone or with other Shareholders, hold total voting rights representing at least 2.5% of the share capital entitled to vote at the ordinary shareholders' meeting, or representing another percentage established by the law or regulations can present lists. To this end, it should be noted that, with management decision no. 21 dated 16 May 2019, Consob determined the share required for presentation of lists of candidates for the election of the Issuer's board of statutory auditors as 2.5% of the share capital.

The lists must be accompanied by:

- a) information relating to the identity of the Shareholders who presented the lists with the indication of the total percentage held in the capital;
- b) a declaration by the Shareholders other than those who hold, even jointly, a controlling or majority share, certifying the absence of relations connecting them, as envisaged by the regulatory legislation in force, to the latter;
- c) a detailed description of the personal characteristics of the candidates, as well as a declaration by the same candidates certifying, under their own responsibility, the non-existence of causes for ineligibility and incompatibility, the possession of the requirements envisaged by law and their

acceptance of the candidacy, as well as the list of management and auditing offices that might be held in other companies.

Lists presented without observing the above provisions are considered as not having been presented. Every person entitled may vote for one list only.

The election of the Statutory Auditors proceeds as follows:

a) two effective members and one supplementary member will be taken from the list that received most votes at the Shareholders' Meeting, in the progressive order in which they are listed in the sections of said list;

b) one effective member (who will be Chairman of the Board of Statutory Auditors) and one supplementary member will be taken from the list that received the second highest number of votes at the Shareholders' Meeting and which, in compliance with the regulatory legislation in force, is not connected, not even indirectly, with those who presented or voted for the list that obtained the highest number of votes, in the progressive order in which they are listed in the sections of said list.

In the event of an even vote between the lists, the winning list will be that presented by the Shareholders with the highest shareholding at the time of presentation of the list, or by the highest number of Shareholders.

If, using the methods indicated above, it is not possible to ensure the composition of the Board of Statutory Auditors, in terms of effective members, in compliance with the regulations in force at the time to uphold the gender balance, the necessary replacements will be made using the candidates for the office of effective auditor in the list that has received the highest number of votes, according to the progressive order in which the candidates appear in the list.

In the event of replacement of an Auditor, the supplementary auditor belonging to the same list as the auditor being replaced will take his place, allowing for that envisaged for the appointment of the chairman and respecting the regulations in force at the time to uphold the gender balance.

The previous rulings on the election of Auditors do not apply in the Shareholders' Meetings for which just one list has been presented or voted for, or in the event that no list has been presented at all. In these cases the Shareholders' Meeting passes resolution with the relative majority, notwithstanding the respect of the regulations in force at the time with regard to the gender balance.

When the Shareholders' Meeting has to appoint the effective and/or supplementary Auditors necessary to complete the Board of Statutory Auditors, the following procedure is applied: if it is necessary to replace the Auditors elected in the majority list, the appointment takes place with a relative majority vote, with no list restrictions; if, however, it is necessary to replace Auditors elected in the minority list, the Shareholders' Meeting replaces them with a relative majority vote, choosing from among the candidates indicated in the list to which the Auditor to be replaced belonged.

If the application of these procedures does not allow, for any reason, the replacement of the Auditors appointed by the minority, the Shareholders' Meeting will vote with the relative majority. However, in the inspection of the results of this last election, the votes of those who, according to the communications made in accordance with the regulations in force, hold, even indirectly or jointly with other Shareholders adhering to a significant corporate agreement in accordance with art. 122 TUF, the relative majority of the votes exercisable at the Shareholders' Meeting, as well as those of the Shareholders who control, are controlled or subject to joint control by them, will not be counted.

The above replacement procedures must ensure the respect of the discipline in force at the time with regard to the gender balance.

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (art. 123-bis, par. 2, lett. d) and d-bis), TUF)**

The Board of Statutory auditors currently in office was appointed by the Shareholders' Meeting held on 24 August 2018 and will remain in office until the approval of the financial statements relating to the year ended 30 April 2021.

The Board of Statutory Auditors in office is made up as follows:

- Giuseppe Cerati (Chairman);
- Chiara Pieragnoli (Standing Auditor);
- Luca Parenti (Standing Auditor);
- Fabrizio Berti (Supplementary Auditor);
- Paola Carrara (Supplementary Auditor).

At the time of the renewal of the Board of Statutory Auditors, two lists were presented. Chiara Pieragnoli, Luca Parenti and Fabrizio Berti were taken from the list presented by the majority shareholder ITH S.p.A. (which, at the time, held 52.814% of the Company's share capital) and was voted by the majority of the share capital represented at the Shareholders' Meeting (equating to 74.497% of the voting capital). Giuseppe Cerati (appointed also as Chairman of the Board of Statutory Auditors) and Paola Carrara were taken from the list presented by a group of shareholders (Anima SGR S.p.A. Fund manager for Anima Crescita Italia, Anima Geo italia and Anima iniziativa Italia; Anthilia Capital Partners SGR S.p.A. fund manager for Anthilia Small Cap Italia; Eurizon Capital SA fund manager for Equity Small Mid Cap Italy; Eurizon Capital SGR S.p.A. fund manager for Eurizon Azioni PMI Italia; Fideuram Asset Management (Ireland) SA - Fonditalia Equity Italy; Interfund Sicav - Interfund Equity Italy and Mediolanum Gestione Fondi SGR S.p.A. fund manager for: Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia), which, at the time, held a total of 4.04% of Sesa's share capital; this list was voted by the minority of the share capital represented at the shareholders' meeting (equating to 25.440% of the voting capital).

At the end of the 2017-2018 business year, the Board of Directors was made up as follows:

- Sergio Menchini (Chairman);
- Luca Parenti (Standing Auditor);
- Chiara Pieragnoli (Standing Auditor);
- Fabrizio Berti (Supplementary Auditor);
- Daria Dalle Luche (Supplementary Auditor).

La remunerazione dei Sindaci è commisurata all'impegno richiesto, alla rilevanza del ruolo ricoperto nonché alle caratteristiche dimensionali e settoriali dell'impresa.

For more information on the Board of Statutory Auditors in office on 24 August 2018, see the previous report on corporate governance available on the Issuer's website at [www.Sesa.it](http://www.Sesa.it), in the "Corporate Governance" section.

For more information on the current members of the Board of Statutory Auditors, see the Issuer's website at [www.sesa.it](http://www.sesa.it), in the "Corporate Governance/Board of Statutory Auditors and

*Independent Auditor*” section, where the *curricula vitae* of the Statutory Auditors are available, indicating their professional characteristics.

The *curricula vitae* of the Standing Auditors, containing thorough information on the personal and professional characteristics of each one of them, are available on the Company website, in the “*Corporate governance – Board of Statutory Auditors and Independent Auditor*” section.

#### Structure of the Board of Statutory Auditors

Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Indep. Code	Participation in the meetings of the Board <input type="checkbox"/> ***	No. of other offices ****
Chairman	Giuseppe Cerati	15/05/1962	24/08/2018	24/08/2018	Approval of financial statements 30/04/2021	m	X	5/5	35
Standing Auditor	Chiara Pieragnoli	11/11/1972	22/02/2013	24/08/2018	Approval of financial statements 30/04/2021	M	X	6/6	1
Standing Auditor	Luca Parenti	05/06/1958	22/02/2013	24/08/2018	Approval of financial statements 30/04/2021	M	X	6/6	21
Supplementary Auditor	Paola Carrara	05/08/1976	24/08/2018	24/08/2018	Approval of financial statements 30/04/2021	m	X	n.a.	n.a.
Supplementary Auditor	Fabrizio Berti	20/06/1959	22/02/2013	24/08/2018	Approval of financial statements 30/04/2021	M	X	n.a.	n.a.
AUDITORS WHO CEASED TO HOLD OFFICE DURING THE YEAR OF REFERENCE									
Chairman	Sergio Menchini	27/09/1957	28/08/2015	28/08/2015	Approval of financial statements 30/04/2018	NA	X	1/1	/
Supplementary Auditor	Daria Dalle Luche	11/06/1963	28/08/2015	28/08/2015	Approval of financial statements 30/04/2018	NA	X	n.a.	/
Number of meetings held during the year of reference: 6									
Quorum required for presentation of the lists by the minorities for the election of one or more members (pursuant to art. 147-ter TUF): 2.5%									

#### NOTES

\* The date of first appointment of each auditor is the date on which the auditor was appointed for the first time (absolutely) in the Issuer's Board of Statutory Auditors.

\*\* This column indicates the list from which each auditor is taken ("M": majority list; "m": minority list) ; "NA": if the auditors have been appointed by the Shareholders Meeting with the majorities envisaged by article 21 of the Articles of Association, or with the relative majority, following presentation of a single list of candidates).

\*\*\* This column indicates the participation of the auditors in the meetings of the BSA (indicate the number of meetings in which the auditor participated compared to the total number of meetings in which he could have participated; e.g.: 6/8; 8/8 etc.).

\*\*\*\* This column indicates the number of offices of director or auditor covered by the party concerned in compliance with art. 148-bis TUF and the relative provisions of implementation contained in the Consob Issuers' Regulation. The complete list of offices is published by Consob on its website in compliance with art.144-quinquiesdecies of the Consob Issuers' Regulation.

The Board of Statutory Auditors met six times during the Year.

The average duration of the meetings was 50 minutes.

Minutes were recorded for all the meetings.

At least four meetings are planned for Board of Statutory Auditors for the year from 1 May 2019 to 30 April 2020, in addition to that already held on 24 April 2019.

### **Diversity policies**

You are informed, in accordance with art. 123-bis, paragraph 2, lett. d-bis) of the TUF that, during the meeting held on 11 July 2019, the Company's Board of Statutory Auditors resolved to continue not to formulate and apply diversity policies in relation to the composition of the management with regard to aspects such as age, gender, training and professional progress, taking into account the fact that: *a)* the current composition of the corporate bodies is already adequately diversified (the members having been elected on the basis of the then binding legislation on gender balance) and ensures an adequate balance between people with complementary skills and experience, so as to ensure the efficient operation of the corporate bodies; *b)* the Company, through the adoption of its own Code of Ethics and the promotion of an articulated corporate welfare programme, is constantly committed to guaranteeing respect, at all levels, of diversity and equal opportunities, with the aim, among other things, of fully optimising human resources and promoting the values of pluralism and professionalism. The Group's attention to these issues is also reflected in the Sustainability Report, available on the Company's website in the "Investor Relations - Shareholders' Meetings" section, to which reference should be made in full.

\*\*\*\*\*

It should be noted that the Chairman of the Board of Statutory Auditors informed the Chairman of the Board of Directors, on the basis of the declarations received from each auditor, that he verified and ascertained, on the first useful occasion after their appointment, the existence of the requirements of independence of the Auditors, in compliance with article 8 of the Code and 148, paragraph 3 of the TUF, applying the criteria envisaged by the Code with reference to the independence of the directors.

On 10 July 2019, the Board of Statutory Auditors also announced the annual check on the requirements of independence of the Auditors, in compliance with article 8 of the Code and 148, paragraph 3 of the TUF, applying the criteria envisaged by the Code with reference to the independence of the directors, certifying the continued possession by each Auditor of such requirements for the year from 1 May 2018 to 30 April 2019. The outcome of this check was announced during the meeting of the Board of Directors held on 11 July 2019.

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The Issuer has not envisaged a specific obligation for a Statutory Auditor who, on his own behalf or that of a third party, holds an interest in a determined Company transaction, in that it is believed that it is his deontological duty to inform the other Statutory Auditors and the Chairman of the Board of Directors if a Statutory Auditor holds, on his own behalf or that of a third party, an interest in a determined transaction of the Issuer.

The Board of Statutory Auditors supervised and will continue to supervise the independence of the independent auditor, certifying the respect of the legislative provisions on the matter and the nature and extent of services other than the auditing of the accounts of the Issuer and its subsidiaries by the independent auditor and by entities belonging to its network.

The Board constantly maintained the usual initiatives of coordination with the Audit and Risks Committee and with the Internal Audit Function. For information on methods of coordination, see paragraph 11.



## **Induction Programme**

The characteristics of the information of the board and the information supplied by the Strategic Committee and by the Managing Director allow the Statutory Auditors, also through participation in the relative initiatives in the forms considered most appropriate, to obtain adequate knowledge of the business sector in which the Issuer operates, of the company dynamics and their evolutions, of the principles of correct risk management, as well as the relative legislative and self-regulatory framework of reference.

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The Board of Statutory Auditors exercises the powers and functions assigned to it by the law and by the other provisions applicable.

## **15. RELATIONS WITH SHAREHOLDERS**

The Company found it to be in its specific interest - as well as being its duty to the market - to set up an ongoing dialogue, from the moment of Listing, based on the reciprocal understanding of the roles, with the Shareholders and with institutional investors; a relationship destined to be pursued in observance of the "Procedure for internal management and external reporting of Privileged Information" described in paragraph 5.

It was decided that this relationship with Shareholders and institutional investors can be facilitated by the formation of dedicated business structures manned by adequate organisational means and staff.

To this end, the Investor Relations functions was created, in compliance with art. 9 of the Code, to pursue relations with Shareholders and institutional investors, and to carry out, if necessary, specific tasks in the management of privileged information and in relations with Consob and Borsa Italiana S.p.A.

On the date of this Report, the manager of the Investor Relations function is Conxi Palermo.

The main documents on the matter of Corporate Governance and the Code of Ethics can also be consulted at the website indicated above, along with other information of importance to the Shareholders.

The Board of Directors will assess the implementation of additional activities to speed up and facilitate access to information concerning the Issuer which is of importance to its Shareholders.

## **16. SHAREHOLDERS' MEETINGS [art. 123-bis, paragraph 2, lett. c), TUF]**

As already explained in the Report, the Issuer's Articles of Association implement the provisions of Legislative Decree 27/2010 implemented by Directive 2007/36/EC and containing the regulation of the exercise of certain rights of the shareholders of listed companies, as well as Legislative Decree 91/2012 (the so-called "corrective decree").

In compliance with art. 9 of the Articles of Association, the withdrawal right is regulated by the law. Therefore, in compliance with art. 2437, paragraphs 1 and 2 c.c., Shareholders who have not taken part in the resolutions concerning: a) the amendment of the business purpose clause, when

this allows a significant change of the company's activity; b) the transformation of the company; c) the transferral of the registered office abroad; d) the repeal of the status of liquidation e) the elimination of one or more causes of withdrawal envisaged by art. 2437, par. 2 c.c. or by the Articles of Association; f) the amendment of the criteria for the determination of the value of the share in the event of withdrawal; g) amendments of the Articles of Association concerning voting or attending rights; h) the extension of the Company's term of duration; i) the introduction or removal of restrictions to the circulation of stock, are entitled to withdraw all or part of their stocks. Every agreement aimed at excluding the withdrawal right or making it harder to apply in the cases listed above, is null and void. Moreover, in compliance with art. 2437-quinquies c.c., Shareholders who do not take part in the resolution implicating the exclusion of stocks from the listing, are entitled to withdraw.

In compliance with art. 10 of the Articles of Association, the Shareholders' Meeting is convened within the terms indicated by the law and regulations in force at the time, via notification to be published on the Company's website, and with the methods envisaged by the law and regulations in force at the time. In the notification convening the Meeting, there may be a second date for a further call, in case the previous Shareholders' Meeting does not result legally valid. If the date for second or further Shareholders' Meetings is not indicated in the notification, they will take place within thirty days of the date indicated in the letter convening the first Shareholders' Meeting. The Shareholders' Meeting may also be convened outside the Municipality where the registered office is located, as long as it is held within Italy.

The ordinary Shareholders' Meeting to approve the financial statements must be convened within 120 days of the end of the financial year, in the cases envisaged by art. 2364, par. 2, c.c., and as long as it is allowed by law, within 180 days of the end of the financial year.

In compliance with art. 11 of the Articles of Association, all those with voting rights are entitled to take part in the Shareholders' Meeting.

Legitimation to take part in the Shareholders' Meeting and to exercise the voting right is certified by a communication to the Company by the intermediary assigned the task of keeping the accounts in compliance with the law, on the basis of the evidence of the relative bookkeeping entries at the end of the business day of the seventh open day on the market prior to the date set for the Shareholders' Meeting, received by the Company within the terms of the law. To this end, the date of the first call is considered, as long as the dates of further calls are indicated in the single notification; otherwise the date of each call will be considered.

Those who are entitled to vote may appoint representatives by mandate in compliance with the law. The electronic notification of the mandate may be carried out using the methods indicated in the call, via certified e-mail to the address indicated in the notification or using a special section of the Company's website. The Company is entitled to designate a subject to whom the Shareholders' made grant mandate for representation at the Shareholders' Meeting in compliance with art. 135-undecies TUF, indicating this in the letter convening the Shareholders' Meeting. For everything not otherwise provided for by the Articles of Association, intervention and voting are regulated by the law.

To exercise the rights of minorities such as (i) convening the Shareholders' Meeting by request of the Shareholders; (ii) the right to request additions to the agenda and to present new proposals for resolution; (iii) the right to ask questions before the Meeting, the provisions of the law and regulations apply.

The ordinary Shareholders' Meeting is competent for: a) approval of the financial statements; (b) appointment and repeal of the Directors, Auditors and Chairman of the Board of Statutory Auditors and, when envisaged, the independent auditor; (c) determination of the payment of

Directors and Auditors; (d) resolution on the responsibility of Directors and Auditors; (e) resolution on other items attributed by law to the Shareholders' Meeting, as well as any authorisations that might be required by the Articles of Association for the performance of acts by the Directors, notwithstanding their responsibility for the performance of the acts of Directors with regard to transactions with related parties, in compliance with art. 2364, art. 1 no. 5, c.c., as envisaged by art. 13) of the Articles of Association), in conformity to that envisaged by the laws and regulations in force at the time; (f) approve any regulation of the tasks of the shareholders' meeting; (g) pass resolution on anything else for which it is competent in compliance with the law and the Articles of Association.

The extraordinary shareholders' meeting passes resolution on the amendments of the Articles of Association, the appointment, the replacement and the powers of liquidators and on every other matter expressly attributed to it by law. The Board of Directors is assigned the competence to pass resolution on the matters indicated in art. 15 of the Articles of Association, notwithstanding the fact that said competence may be remitted to the extraordinary Shareholders' Meeting (see paragraph 4.3).

In compliance with art. 13 of the Articles of Association, the resolutions of the ordinary and extraordinary Shareholders' Meetings are passed by the majorities required by law, with the exception of that indicated below.

The amendments of art. 13 and art. 6 (with reference to the absent indication of the nominal value) of the Articles of Association are approved by the extraordinary Shareholders' Meeting with the favourable vote of as many shareholders as represent, at any call, at least two thirds of the share capital.

The Shareholders' Meeting must be held using methods such as to ensure that those entitled to attend are able to be aware of the events in real time and to freely decide and freely and promptly express their vote. To facilitate intervention in the Shareholders' Meeting and the exercise of voting rights by those holding them, the Issuer's Articles of Association (art. 11) envisage that the Shareholders' Meeting may be held with interventions from several places, adjacent or remote, connected by video or audio, as long as the joint method and the principles of good faith and equal treatment of the Shareholders are respected.

It should be noted that the Company has not made provision for the adoption of meeting regulations in compliance with art. 9.C.3 of the Self-governance Code, in that the Board of Directors does not - at this time - consider it necessary, as recently confirmed during the meeting held on 11 July 2019, taking into account the Shareholder structure, characterised by a high level of concentration, also feeling that, generally speaking, Shareholders must be guaranteed maximum participation and expression in the debate.

During the Year and up until the date of this Report, the Shareholders' Meeting of the Issuer met once, on 24 August 2018.

During the above-mentioned Shareholders' Meeting, the Chairman of the Board of Directors, the Executive Deputy Chairman Gaini Moreno, the Managing Director Fabbroni Alessandro and the Board Member Gola Luigi intervened.

The Board of Directors also took action to ensure that the shareholders received adequate information on the elements necessary for them to make their decisions in an informed manner.

On the Issuer's website, at [www.sesa.it](http://www.sesa.it) in the “*Investor Relations - Shareholders' Meetings*” section, the following documents (among others) are available in relation to each meeting: i)

notification convening the meeting; ii) copy of the minutes of the Meeting; iii) summarised report of the elections; iv) documents, reports and proposals of resolution submitted to the Shareholders' Meeting.

As regards the rights of Shareholders not indicated in this Report, please see the laws and regulations in force at the time.

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There were no significant changes in the market capitalisation of the Issuer's shares or in its corporate structure.

## **17. FURTHER CORPORATE GOVERNANCE PRACTICES [art. 123-bis, par. 2, lett. a), TUF]**

The Issuer does not adopt any corporate governance practices in addition to those envisaged by legislation or regulations in force and described in this Report. In particular, reference should be made to paragraphs 6 and 11 of the Report with reference to the Strategy Committee and Model 231, respectively.

## **18. CHANGES SINCE THE END OF THE YEAR OF REFERENCE**

It should be noted that, following the closure of the financial year and precisely on 8 July 2019, HSE S.p.A. and Tamburi Investment Partners S.p.A. reached a binding agreement on the basis of which the latter company (investment/merchant bank listed on the STAR segment of the Italian Stock Exchange) will acquire 14.95% of the share capital of ITH, a company that directly controls Sesa. HSE S.p.A., which holds approximately 80% of the share capital of ITH, will further consolidate its interest in ITH. The transaction is scheduled to take place on 12 July 2019.

Lastly, as part of the transaction, Tamburi Investment Partners S.p.A. has entered into a shareholders agreement with HSE S.p.A. pursuant to art. 122 of Legislative Decree 58/1998, which will be published in accordance with the terms of the law.

## **19. CONSIDERATIONS ON THE LETTER DATED 21 DECEMBER 2018 OF THE CHAIRMAN OF THE COMMITTEE FOR CORPORATE GOVERNANCE**

In December 2018, the Corporate Governance Committee of Borsa Italiana made its recommendations for 2019 regarding the compliance of issuers with the Self-Governance Code; these recommendations are contained in a document called "*the recommendations of the Committee for 2019*" annexed to the letter - signed by the Chairman of the Italian Committee for Corporate Governance - sent to the Chairmen of the Boards of Directors and, for information, to the managing directors and the chairmen of the Boards of Statutory Auditors of Italian listed companies.

The letter from the Chairman of the Italian Committee for Corporate Governance and the recommendations for 2019 were examined by the Board of Directors on 11 July 2019, and also by the Governance Committees for the profiles for which they are responsible.

In particular, the Issuer's Board of Directors, during its meeting on 11 July 2019, examined the aforesaid letter and, with the favourable opinion of the Chairman of the Remuneration Committee and of the Chairman of the Audit and Risks Committee on behalf of the respective Committees

and to the extent of their competence, took note of its content, noting a substantial adaptation by the Company to all four recommendations expressed by the Committee for Corporate Governance (in terms of pre-meeting information, application of the criteria of independence, board review activities and remuneration policies).

More specifically, the Board reached the above-mentioned conclusion on the basis of the following considerations:

- i)* The prompt and complete nature of the pre-meeting information is guaranteed by sending the documentation at least seven days before the date of the Board Meeting. This term is usually respected in the dispatch of documentation for the Board Members;
- ii)* in assessing the independence of the Directors who qualified as such and of the Statutory Auditors, during the financial year, the Board of Directors and the Board of Statutory Auditors always applied all the criteria envisaged by the Code (particularly in articles 3, with regard to directors, and 8 with regard to Statutory Auditors);
- iii)* the board evaluation process was carried out in such a way as to allow all the Directors to express their views on the main aspects concerning the Board, the Committees, interaction with management and risk governance, with the possibility of expressing comments and proposals;
- iv)* the remuneration policy adopted by the Company already envisages that a significant part of the remuneration of Executive Directors is linked to the attainment of specific short and medium-long term performance targets.

Lastly, at the same Board meeting held on 11 July 2019, the Board of Directors deemed that there were adequate reasons for not complying with some of the provisions contained in the Code, confirming its commitment to constantly monitoring the degree of compliance with the Code, as well as the effective existence of the reasons justifying the Company's failure to comply with some of the recommendations contained therein.

For further information on additional profiles highlighted in the letter, please see the information provided in this Report and in the report on remuneration drawn up in compliance with article 123-ter, TUF.

Empoli (FI), 11 July 2019  
On behalf of the Board of Directors

The Chairman  
Paolo Castellacci