



CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

In accordance with Article 123-bis of the CFA
(traditional administration and control model)

ELICA S.p.A.

<https://elica.com/corporation>

YEAR 2018

Approved by the Board of Directors on March 7, 2019

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1. INTRODUCTION

Elica S.p.A. (also “Elica” or the “Company”) is an Italian company limited by shares with a traditional governance model. Elica S.p.A. has been listed on the MTA STAR segment of the Italian Stock Exchange since November 2006. Its governance model is consistent with the principles of the Borsa Italiana S.p.A. Self-Governance Code promoted by Borsa Italiana, edition approved in July 2018 by the Corporate Governance Committee (the “**Self-Governance Code**” or the “**Code**”).

Elica S.p.A is defined as an SME pursuant to Article 1, paragraph 1, letter w-quater.1 of Legislative Decree 58/98 (“**Consolidated Finance Act**” or “**CFA**”) and Article 2-ter of Consob Resolution No. 11971/1999 and subsequent amendments and supplements (“**Issuers’ Regulation**”). For the value of the capitalization and revenues, make reference to the list of SME to be published on Consob website.

This report illustrates, in accordance with Article 123-*bis* of the CFA, the Corporate Governance system adopted by Elica S.p.A. in the year 2018 and updated at March 7, 2019, in line with the recommendations of the Self-Governance Code.

The disclosures relating to the remuneration of the corporate officers and senior management are contained in the Remuneration Report prepared pursuant to Article 123-*ter* of the CFA, in accordance with Attachment 3A, Schedule 7-*bis*, of the Issuers’ Regulation and published together with this Report, in accordance with the provisions of Article 84-*quater* of the Issuers’ Regulations (“**Remuneration Report**”).

In addition, the present report will be published on the website of the Company <https://elica.com/corporation>(Corporate Governance section).

2. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123 BIS, PARAGRAPH 1, CFA)

a) Shareholders (as per Article 123-*bis*, paragraph 1, letter a), CFA)

Amount of subscribed and paid-in share capital: **Euro 12,664,560**.

Classes of shares that make up the share capital: **63,322,800** ordinary shares, with a nominal value of Euro 0.20 each (see “**TABLE 1 – INFORMATION ON THE SHARE CAPITAL**” – “**SHARE CAPITAL STRUCTURE**”).

Elica has not issued other share classes at the date of this Report, or convertible financial instruments which confer newly-issued share subscription rights.

b) Restriction on the transfer of shares (as per Article 123-*bis*, paragraph 1, letter b), CFA)

The By-laws do not contain any restrictions on any type of share transfer.

c) Significant holdings (as per Article 123-*bis*, paragraph 1, letter c), CFA)

The significant shareholdings are indicated in “**TABLE 1 – INFORMATION ON THE SHARE CAPITAL**” – “**Significant Holdings in the Share Capital**” based on the information available to the Company at March 7, 2019.

d) Shares which confer special rights (as per Article 123-*bis*, paragraph 1, letter d), CFA)

The Company has not issued shares which confer special controlling rights.

No special powers exist and the by-laws does not provide for shares with the right to more than one vote.

e) Employee shareholding: voting mechanism (as per Article 123-*bis*, paragraph 1, letter e), CFA)

Not applicable.

f) Voting restrictions (as per Article 123-bis, paragraph 1, letter f), CFA

The By-laws do not contain any restrictions on voting rights.

g) Shareholder agreements (as per Article 123-bis, paragraph 1, letter g), CFA

The shareholder agreement signed on December 18, 2013, between **FAN S.r.l.**, a subsidiary of Elica S.p.A, and **Whirlpool Europe S.r.l.**, terminated with effect from December 18, 2018, on the conclusion of the duration of the shareholder agreement and its mutual resolution.¹

h) Change of control clause (as per Article 123-bis, paragraph 1, letter h), CFA) and statutory provisions concerning Public Purchase Offers (Article 104, paragraph 1-ter and 104-bis, paragraph 1)

Agreements are in place of a commercial and financial nature and/or concerning investments of the Company in its subsidiaries, of a confidential nature, which provide, among other matters, for the right to withdrawal or to purchase/sell shares of the subsidiaries to the other contracting party, in the case of change of control of the Company. The resolution of an individual agreement would not significantly impact the Company.

The Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 1 bis of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

i) Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123-bis, paragraph 1, letter m), CFA

At the date of the Present Report, the Board had not been granted powers to increase the share capital under Article 2443 of the Civil Code.

The Company, in accordance with Article 8.4 of the By-Laws, may issue non-convertible and convertible bond loans or with warrants, in accordance with Articles 2410 subsequent of the Civil Code.

The Board of Directors may also issue non-convertible bonds within the limits set out in Article 2412 of the Civil Code and convertible within the limits set by Article 2420-ter of the Civil Code.

With reference to the purchase of treasury shares, the Shareholders' Meeting of April 27, 2018 of Elica in accordance with Articles 2357/2357 ter of the Italian Civil Code ("Civil Code"), approved the procedures and delegated powers to the Board of Directors of the Company to purchase (for a period of 18 months) and utilise (without time limits) ordinary shares of the Company, establishing the manner of completion and delegating to the Board of Directors the power to take any necessary actions in order to give effect to resolutions in accordance with applicable laws.

At the date of the present Report, the Company has not undertaken any purchases in accordance with this resolution. During the year 2018, the Company did not utilise treasury shares already held in portfolio by virtue of previous purchases.

At the date of the present Report, the Company holds 1,275,498 treasury shares in portfolio, equal to 2.014% of the share capital.

The Shareholders' Meeting called for the approval of the 2018 Annual Accounts will, among other

¹ See: Elica Press Release of December 18, 2018. More information on the Agreement is available in the Elica S.p.A. Corporate Governance and Ownership Structure Report FY 2017.

things, be requested to renew the approval for the purchase and utilisation of treasury shares. Acceptance of the proposal would result in therefore, among other issues, the withdrawal of the previous authorisation granted on April 27, 2018, for that part not utilised.²

I) Direction and co-ordination activities (as per Article 2497 of the Civil Code)

The Company is not subject to management and co-ordination pursuant to Art. 2497 and subsequent of the Civil Code.

This conclusion derives from the fact that the controlling shareholder does not carry out management activities within the company and, although exercising voting rights at the shareholders' meeting, does not have any involvement in the financial, production or strategic programmes of the company, which is governed by a Board of Directors responsible for operating control. The Board of Directors of the Company has also appointed an independent CEO for ordinary operational management. The Company, therefore, carries out its operations through a totally autonomous and independent decision-making process; it has independent decision-making capacity with clients and suppliers and independently manages its treasury in accordance with the corporate scope.

The disclosure required by Article 123-bis, paragraph 1, letter i) of the CFA are contained in Section 1 of the Remuneration Report, while the disclosure required by Article 123-bis, paragraph 1, letter I) are illustrated in the subsequent section "4.1 Appointment and replacement (as per Article 123-bis, paragraph 1, letter I), CFA" below of the present Report.

3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA

The company complies with the Self-Governance Code issued by Borsa Italiana S.p.A. and approved by the "Corporate Governance Committee" (July 2018 Edition).

Where the recommendations of the Code are not applied, the reasons for such are provided in the present report.

The Self-Governance Code is available on the website of Borsa Italiana S.p.A.: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>

The Company, and its subsidiaries, are not subject to laws in force outside Italy which affect the Corporate Governance structure of Elica.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement (as per Article 123-bis, paragraph 1, letter I), CFA

The appointment and replacement of directors is governed by Article 16 of the By-laws, which provides for slate voting. This mechanism was latterly adopted on the renewal of the Board of Directors by the Shareholders' Meeting of April 27, 2018.

For further information on the manner of appointment of the Directors, reference is made to the subsequent section "Appointment of the Corporate Boards".

All amendments to the By-Laws are made based on the provisions of law and the By-laws themselves. In accordance with Article 19.2 of the By-Laws, which adheres to Article 2365 of the Civil Code, adjustments to the By-laws in accordance with law are reserved to the Board of Directors.

² For further information, reference should be made to the Report of the Board of Directors' of Elica S.p.A. relating to the proposal to authorise and utilise Treasury Shares of March 7, 2019, available on the Company website.

Succession plans

On February 12, 2016, in compliance with Article 5.C.2. of the Code, the Board of Directors of Elica approved an executive director succession plan, which includes the provisions outlined in the Code.

The Board of Directors considers the succession plan as an instrument to ensure the consistent management of risk, business continuity and the long-term sustainability of the company, through governing the renewal and replacement of executive directors in the case of their unforeseeable discontinuation of service, with the most appropriate replacements.

The Succession Plan adopted by the Company includes specific mechanisms in the case of advance replacement, ahead of the natural conclusion of office, of executive directors. To this end, the Appointments and Remuneration Committee, in addition to expressing recommendations with regard to individuals whose presence on the Board is considered appropriate, ensures the existence of a list of possible replacements for executive directors in office in the case of advance conclusion of mandate.

Specifically, the Board of Directors: (i) may approve the succession plan and monitor its efficacy, evaluating at least annually whether to implement updates, taking into consideration the report of the Appointments and Remuneration Committee; (ii) provides operational indications and guidelines; (iii) delegates the preparatory phase and the proposal of updates or amendments to the succession plan to the Appointments and Remuneration Committee; and (iv) reports on the state of the succession plan in the annual corporate governance and ownership structure report.

The Appointments and Remuneration Committee: (i) expresses recommendations with regard to individuals, including with regard to the renewal of executive positions, whose presence on the Board is considered appropriate, including the duty to ensure over time a list of possible replacements for the Chief Executive Officers in office, in view of possible discontinuation of mandate; (ii) manages the preparatory phase, in close collaboration with the competent company department for the management of human resources and draws up updates and amendment proposals for the succession plan to the Board; (iii) draws up promptly a recommendation, to be sent to the Chairman or, in his/her absence, to the CEO, with regard to the resolutions to be adopted at the Board meeting, in the case of the advance replacement of an executive director; and (iv) reports annually to the board upon the operations carried out with regard to the succession of executive directors and expresses an assessment of the coverage level of the relative risk.

The executive directors are involved in the implementation of the process.

The corporate structure supports the Appointments and Remuneration Committee and the other parties involved in the implementation of the plan.

In accordance with the Succession Plan for executive directors, in 2018 the Company presented the Directors' Report, among others, to the Shareholders' Meeting for the appointment of the Board of Directors which, taking account of the diversity policy applied by the company to the composition of management boards, outlines the characteristics which board members, including executives, must have to hold office.

In 2018, the Committee continued its investigative activities to identify potential candidates for the role of executive director, taking account of the objectives of the company over the medium/long-term and the attributes of the candidates as emerging during the assessment of the optimal composition of the Board and from its annual self-assessment.

Notwithstanding the Board's recent renewal and taking account of the fact that the appointment of the current C.E.O., who will remain in office until the approval of the financial statements at December 31, 2020, took place in November 2016, the Committee deemed it appropriate to maintain an ongoing search for a list of possible candidates for the office of executive director and, in particular, to still ensure succession should the need arise prior to the mandate's natural expiry.

4.2 Composition of the Board of Directors (as per Article 123-bis, paragraph 2, letter d) and d) bis CFA)

The Board of Directors of the Company, in accordance with article 2 of the Self-Governance Code, is comprised of executive and non-executive directors with sufficient skills and levels of professionalism. In accordance with the CFA and the Self-Governance Code, the number of independent directors was five, out of a total of eight in 2018. This number is considered more than sufficient to undertake the functions of the independent directors.

As per article 16 of the By-laws, the Company is administered by a Board of Directors made up of between 5 and 11 members, including non-shareholders.

On April 27, 2018, the Shareholders' Meeting of the Company conferred administration to a Board of Directors comprising of 8 members, establishing the conclusion of mandate as the approval of the 2020 Annual Accounts.

The Shareholders' Meeting of April 27, 2018 was presented with a single slate for the appointment of the directors. This slate was presented by the majority shareholder FAN S.r.l. and proposes as Directors Messrs:

Francesco Casoli, Antonio Recinella, Elio Cosimo Catania, Davide Croff, Gennaro Pieralisi, Barbara Poggiali, Cristina Finocchi Mahne and Federica De Medici.

The result of the voting of Shareholders present at the Shareholders' Meeting was as follows:

- votes in favour of Slate 1 – 37,841,114, equal to 99.995% of votes;
- votes against Slate 1 - 1,823, equal to 0.004 of votes.

The candidates listed above were therefore elected as directors and Francesco Casoli was confirmed as Chairman.

In 2018 and until April 27, 2018, the Board comprised: Francesco Casoli (Chairman), Antonio Recinella (Chief Executive Officer), Gennaro Pieralisi (Non-Executive Director), Katia Da Ros (Lead Independent Director), Davide Croff (Independent Director), Elio Cosimo Catania (Independent Director) and Enrico Vita (Independent Director). Cristina Scocchia (Independent Director) resigned from office with immediate effect on March 12, 2018, for personal reasons.

For further information on the composition of the Board of Directors of the Company at the preparation date of the present report, reference should be made to "TABLE 2 – STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEE".

Brief curriculum vitae of the directors in office at March 7, 2019 are presented below.³

Francesco Casoli: Chairman of the Board of Directors of the Company from April 12, 2006; previously he was the Chief Executive Officer. He is the son of Ermanno Casoli, founder of Elica S.p.A., in which he has worked since 1978; in 1990, at just 29 years of age, he was appointed Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of FAN S.r.l., the Sole Director of Fintrack S.p.A. and Vice Chairman and Director of the Ermanno Casoli Foundation. He is also Sole Director of Ermanno S.r.l. and of Garage S.r.l., Director of Fastnet S.p.A., Chairman of the Board of General Partners of SAFE S.a.p.a. and Chairman of the Board of Directors of La Ceramica. From June 2005 to March 2006, he was the Chairman of Assindustria in the Province of Ancona. At the elections of April 9 and 10, 2006, he was elected to the Senate of the Italian Republic and re-elected in the elections of 2008, leaving the house in March 2013. In 2017, he was knighted "Cavaliere del Lavoro" by the President of the Italian Republic. Finally, between August 2013 and March 2015 he was a Director of the Finnish company Efore PLC, listed on the Nasdaq Omx Helsinki OY (small cap segment).

Antonio Recinella: Chief Executive Officer (C.E.O.) of Elica S.p.A. since November 1, 2016 and Director of Play Venture S.r.l. An Economics and Commerce graduate from the Polytechnic University of Marche in Ancona, with an Executive MBA from IMD International in Lausanne, he has twenty years' experience in the auto sector, having held increasingly challenging positions internationally in the management of major global commercial and industrial enterprises. Initially with AlliedSignal, subsequently with Honeywell International as Global General Commercial Manager, thereafter joining Magneti Marelli, while finally becoming the Chief Executive Officer of the Aftermarket Parts & Services Telematics division.

Elio Cosimo Catania: he has been a member of the Board of Directors of Elica S.p.A. since April 2015. Chairman of Confindustria Digitale and Director of Assonime; Member of the Executive Committee of the Board for relations between Italy and the United States; Member of the Advisory Board of EY. Graduated in Electronic Engineering, thereafter undertaking a Masters in Management Science at the Sloan Fellow School at the MIT of Boston. Between 1970 and 2004 held a number of prestigious appointments at IBM, including Chairman and CEO of IBM Latin America, Chairman and CEO for Southern Europe, Middle East and Africa, Chairman and CEO of IBM Italia; between 2004 and 2006 Chairman and Chief Executive Officer of Ferrovie dello Stato and, between 2007 and 2001, Chairman and Chief Executive Officer of A.T.M. S.p.A.. He was Deputy Vice Chairman of Alitalia (2012-2014) and in addition has held numerous senior roles, including Director of Telecom Italia, Banca Intesa San Paolo, BNL and Luiss University. In 1999 he received the Cavaliere del Lavoro knighthood of the Italian Republic.

³ Indication of involvement of directors in other companies listed on regulated markets (also foreign), in finance, banking, insurance or large enterprises, is reported in the following paragraph: "Maximum number of offices held in other companies"

Davide Croff: he has been a member of the Board of Directors of Elica S.p.A. since April 2015. Chairman of Permasteelisa S.p.A. and Chairman of Eurovita Holding S.p.A.; Chairman, in addition, of the Ugo and Olga Levi Foundation, Director of Genextra S.p.A. and Credito Fondiario S.p.A., Senior Advisor of Nomura Investment Banking, Member of The Council for the United States and Italy and member of the Assonime Board and an advisor of Roland Berger. In the past, held a number of appointments with Italian and overseas companies: between 1979 and 1989 with the Fiat Group held many appointments, including Financial Affairs Director of the Fiat Group; between 1989 and June 14, 2003 with Banca Nazionale del Lavoro held a number of positions, initially as Vice General Manager and thereafter as Chief Executive Officer. Between January 2004 and December 2007 was Chairman of the Biennial of Venice Foundation. Between 2000 and today, in addition to the appointments currently held, he undertook a range of roles, including Director of the Querini Stampalia Foundation of Venice, Director of Terna S.p.A., Director of Snam Rete Gas S.p.A. and Director of Banca Popolare di Milano and Director of the European Oncological Institute. In addition, he was a senior advisor at TPG between 2006 and 2013. Graduated in Economics and Commerce from the Ca' Foscari University of Venice, he specialised in Economics at Pembroke College of the University of Oxford. He is a Cavaliere di Gran Croce Ordine al Merito of the Italian Republic (Italian State Recognition for Services).

Gennaro Pieralisi: he has been a member of the Board of Directors of Elica S.p.A. since 1970 and is a cousin of Ms. Gianna Pieralisi. Since the beginning of the 1980s, he has been the Chief Executive Officer of the businesses of the Pieralisi Group, in which, from 1998 he was also Chairman of the Board of Directors. In 1999 he received the Cavaliere del Lavoro knighthood of the Italian Republic. In June 2003, he was conferred the Laurea Honoris Causa in Agricultural Sciences and Technology; in addition to managing the family businesses he has fulfilled and currently holds various roles in industry associations and institutes such as Confindustria Ancona, Confindustria Marche, Confindustria, Assonime and the Italian Accounting Organisation. He was a director of Banca Carifano and a member of the Management Board of Bank of Italy, Ancona office. He has been a member of, and is currently a member of, various Boards of Directors of Italian companies.

Barbara Poggiali: she has been a member of the Board of Directors of Elica S.p.A. since April 2018. She is currently an independent director of several listed companies: Falck Renewables S.p.A. (since 2012), ASTM Autostrade Torino-Milano (since 2013), and of Banca Farmafactoring since 2018; she is also a director of Bocconi University. She was appointed Managing Director of the Cybersecurity Division of Leonardo SpA in January 2019. She graduated with a Bachelor in Engineering degree at the Massachusetts Institute of Technology (MIT), Cambridge, Massachusetts, USA. in 1984, a Master's degree in 1985 and a Doctorate in 1987. She started her professional career with McKinsey&Co., and later with Bain. From 1995 to 2000, she worked in Omnitel (now Vodafone Italy), first as Strategies Director and then as Marketing and Consumer Sales Director. She moved on to E. Biscom S.p.A. (now Fastweb) in the capacity of Chief Operating Officer up to 2002 and then to Cable and Wireless Plc In London as Group Director Mobile. From 2004 to 2011, she worked in RCS MediaGroup as Chief Development Officer and, eventually, from 2009 to 2011, she was the Chief Executive Officer of Dada S.p.A., a company listed on the STAR segment. From 2014 to 2017, she held office as Director Strategic Marketing of Poste Italiane S.p.A., and as Chairman of PosteMobile.

Cristina Finocchi Mahne: she has been a member of the Board of Directors of Elica S.p.A. since April 2018. She is also the Italy Co-Chairman and Member of the Executive Committee of WCD Foundation since 2012. She is Director and Chairman of the Control, Risks and Sustainability Committee and member of the Appointments and Remuneration Committee of Italiaonline; Director and Chairman of the Appointments Committee and member of the Control and Risks Committee of Banco Desio Group; Director and Chairman of the Appointments and Remuneration Committee and member of the Control and Risks Committee of GHC; Director and member of the Remunerations Committee, Related Party Committee and Control and Risks Committee of the Trevi Group.

A business economist expert in Corporate Governance, she has been involved in ESG topics since 1999. A graduate in Economy and Commerce from the La Sapienza University of Rome, she holds a Master in Business Administration (MBA) degree from the Luiss Business School. She attained additional specialisations in finance, financial communication and management skills in London and Los Angeles. She has twenty years' experience in investment banks and Italian and international strategic consultancy firms. She was a Senior Executive and member of the Management Committee as Group Investor Relations and Strategic Communications Director of blue-chip financial companies with a market capitalisation of up to Euro 10 billion. She is a Lecturer on sustainability strategies and non-financial reporting at the Faculty of Banking, Financial and Insurance Sciences at the Catholic University of the Sacred Heart in Milan. She taught advanced business administration at the Faculty of Economics, La Sapienza University of Rome and corporate governance, International MBA at the Luiss Business School; she was also a lecturer at the Italian Banking Association (ABI). She was the author and anchorwoman of Watchdog, a television programme on governance broadcast on the Sky 507 economic-financial channel. She received the Distinguished Executive Award from the Luiss in 2003 for professional merits and the Best in Class award from the University of La Sapienza in 2007. She is regularly invited as a speaker in national and international conferences on economic and financial and corporate governance topics. She is the author of published articles on principal economic newspapers.

Federica De Medici: she has been a member of the Board of Directors of Elica S.p.A. since April 2018. Investor Relations Director of Wind Tre S.p.A. from October 2016 to-date, with the remit of managing relations with investors, financial markets and rating agencies. The areas of Business Intelligence and Market Research were also

entrusted to her in January 2019. She held office as Group Investor Relations Director at RCS MediaGroup S.p.A. from March 2013 to October 2016. From December 2003 to October 2012, she joined RCS MediaGroup S.p.A. as Head of the Investor Relations Department and then held office as Digital Strategy and Intelligence Director up to March 2013. In 1997, she joined KPMG S.p.A. as Senior Consultant and subsequently, from 2000 to 2003, she held the Advisory in Investor Relations position at Barabino & Partners. In 1995, she participated in a Management Control internship at Mediaset S.p.A. and, newly graduated in 1996, she worked at the Lucchini Group in the role of Relations with UK clients. Federica De Medici graduated in 1996 in Economics and Commerce with a focus on Business Economics at the University of Pavia, with an experimental thesis on the "Mediaset Private Television Group".

Diversity criteria and policies

In accordance with Legislative Decree 254/2016 concerning the communication of non-financial disclosure, the company has adopted a "Diversity Policy" setting out the diversity criteria generally adopted by Elica with regards to the composition of the Corporate Boards, including: age, gender, training and professional development. The criteria set out in the policy take account of the provisions of the Self-Governance Code of Borsa Italiana S.p.A., with which the company complies and are utilised by the Board of Directors for the replacement of its members and the renewal of the Corporate Boards.

In implementing this policy, approved by the Board on November 13, 2017, on the proposal of the Appointments and Remuneration Committee, the company seeks to ensure, on the appointment and replacement of directors, the emergence of as diverse a range of candidates as possible in view of company requirements, establishing the conditions for "Group think" (i.e. a tendency towards a form of unified "Group think"), supporting therefore debate and potentially improving the quality of Board decision-making.

The Appointments and Remuneration Committee, in drawing up its opinions for the Board of Directors with regards to the size and composition of the Board and in expressing recommendations with regards to the professional roles whose presence on the Board are considered beneficial (in compliance with and in implementation of the "Executive director succession plan", where applicable), takes into consideration the "Diversity Policy" and at least adopts the criteria indicated therein. The Board, having assessed the proposals of the Appointments and Remuneration Committee, taking account of the "Executive director succession plan", where applicable, the "Diversity Policy" and the results of the Annual Board Evaluation, proposes candidate profiles considered most suitable for the Board.

The Directors' Report to the Shareholders' Meeting of April 27, 2018 for the renewal of the Board of Directors, to which reference should be made, while taking account of the outcome of the self-assessment carried out which are discussed below, outlines the criteria utilised, the evaluations made and the indications of the Board for choosing the candidates to appear on the slates for the Board's renewal, in order to ensure that the interested parties are provided with information upon the criteria and the diversity objectives.

The composition of the slate submitted by the majority shareholder FAN S.r.l. during the Board's renewal took account of the diversity criteria issued by the Board in so far as it included candidates of the under-represented gender on a three to eight ratio; it included different profiles by professional experience, age and years in office, taking account of the company's requirements and medium-long term objectives in accordance with the priority objective of ensuring sufficient skills and professionalism in the members of the Board of Directors.

The company also recently adopted a Group policy on the protection of diversity, in order to formalise principles such as the promotion and guarantee of a working environment that fosters diversity and inclusion, and empowers management. This policy envisages safeguards in the area of selection, training, remuneration, rewards and career prospects; it also provides for reporting channels in the event of violations and sanctions for transgressors.

A "Diversity Committee" was assigned the responsibility of governing, monitoring and improving corporate diversity parameters, drawing up sustainable multi-year action plans and periodically monitoring their performance and results.

The results of the diversity policy's formalisation can be recorded once a sufficient period of time has passed after its implementation.

Maximum number of offices held in other companies

In accordance with Article 1.C.2. of the Self-Governance Code, the Board of Directors, based on the information received from the directors, state that some of its members currently hold the office of director or statutory auditor in listed companies in regulated markets including abroad, specifically:

- Barbara Poggiali is currently independent director of several listed companies and specifically of: Falck Renewables S.p.A. (since 2012), ASTM Autostrade Torino-Milano (since 2013), and of Banca Farmafactoring since 2018;
- Cristina Finocchi Mahne is currently independent director of several listed companies and specifically of: Banco Desio Group (since 2013), Trevi Group (since 2013), Italiaonline (since 2015) and GHC since 2018.

In accordance with Article 1.C.3. of the Self-Governance Code, the Board of Directors, latterly during the meeting of March 7, 2019, confirmed its position in relation to the maximum number of offices of director or statutory auditor which may be considered compatible with the proper fulfilment of the role of director of the Company, fixing at five the maximum number of offices of administration and control in other listed companies (including abroad).

The Board did not consider it necessary to define general criteria regarding the maximum number of appointments in other companies that can be considered compatible with an effective conduct of the role of director of the company, considering that this evaluation is primarily that of the Shareholders in nominating the directors and, subsequently, of the individual directors on accepting the office. The Board will however continue to evaluate individual cases, in relation to the attributes of each director (experience, positions held etc.) from which compatibility with the role can be evaluated. This evaluation will be made on the appointment to office and thereafter on an annual basis, principally utilising the following evaluation criteria: (i) the role of the Director within the Company (executive, non-executive, independent, member of one or more committees); (ii) the nature and size of entities in which offices are held and the office of the Director within such entities; and (iii) whether such entities are part of the group of the Issuer.

With regard to companies of a significant size, we also report that:⁴

- the Chairman of the Board of Directors Francesco Casoli fulfils, among others, the role of Sole Director with the finance company Fintrack S.p.A., of which he is also a shareholder. He is also Chairman of the Board of Directors and Chief Executive Officer of FAN S.r.l., which directly controls Elica S.p.A.⁵
- Director Gennaro Pieralisi holds, among others, the office of Executive Chairman of the Board of Directors in Pieralisi MAIP S.p.A..
- Director Davide Croff is also, among others, the Chairman of Permasteelisa S.p.A. (construction sector) and Chairman of the Board of Directors of Eurovita S.p.A. (insurance sector), Director of Credito Fondiario (banking sector) and Director of Genextra S.p.A. (consultancy sector).

Induction Programme

Many of the Company Directors have, through professional experience or years of service, acquired knowledge in the sector in which the company operates, on relevant issues, in addition to the regulatory

⁴ For the purposes of identifying large size companies, the following parameters were taken as reference: over 250 employees or revenues > Euro 50 million in the year or assets > Euro 43 million in the year.

⁵ The financial companies listed are holding companies and are not considered in the lists as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

and self-regulatory framework. However, the Chairman of the Board of Directors periodically briefs the Directors and Statutory Auditors on relevant issues and upon the performances, upon the principles of correct risk management, in addition to the regulatory and self-regulation framework. This information is normally provided at the Board meetings and the informal ad hoc meetings, which may include visits to the production facilities of the Group and Internal Audit activities.

The Chairman usually meets with the Directors in order to identify initiatives to improve knowledge upon the sector in which the Group operates. These initiatives are therefore normally organised by the company; invitations are sent reasonably in advance in order to ensure the largest attendance possible. In 2018, the directors were invited to visit certain company facilities and its site in Fabriano. In addition, the directors, or a number thereof, in view of the role carried out and evident necessity are invited to take part during the year at informal dedicated meetings, organised by the Chairman; at these meetings, issues of particular interest are discussed and explored. On the outcome of the self-assessment, the Directors showed their appreciation for the induction programmes accompanying the visits made to the facilities, maintaining that this process could be reinforced with institutional tools that enable ongoing training in terms of corporate governance and the sector for a debate that is increasingly focused on the business.

At the Board meetings, the Legal & Corporate Affairs Manager is called to outline any updates to the regulatory and self-regulatory framework, or to outline specific regulatory matters of interest to the directors and to the statutory auditors.

4.3 Role of the Board of Directors⁶

The Company is managed, under a traditional governance system, by a Board of Directors, which meets and operates in compliance with articles 1.P.1. and 1.P.2. of the Self-Governance Code.

In accordance with article 17 of the By-laws of the Company, except for the powers of convocation reserved to the Statutory Auditors in the cases established by law, the Board of Directors meets on the convocation of the Chairman, or in the case of his absence or impediment, of the Vice Chairman or the Chief Executive Officers, if appointed, in order of seniority of age, or in the absence or impediment also of these, the most senior Director in terms of age, through registered letter, telefax or electronic mail, to be sent at least 5 days before the date of the meeting.

The company usually agrees, where possible, with the directors the dates of the board meetings and also the matters on the agenda. Important documents and information necessary to allow the Board to express, having fully been informed on the matters submitted for their review and approval, concerning the matters on the Agenda, is normally made available to the directors, in the manner agreed, reasonably in advance of the meeting date, except in exceptional circumstances in which, due to the nature of the motions, the need for confidentiality and/or the timelines with which the Board must undertake decisions, there are specific needs and/or urgencies.

The forwarding of the documentation together with the call notice of the Board, which is normally five days before the meeting, is considered sufficient to permit a review of the same by the directors. This period however is extended, in concert with the directors, in the case of particularly large or complex documentation, and whereby the key elements are illustrated in summary documents - although such should not be considered as a replacement for the complete documentation - which permit the directors to promptly understand the important matters to be dealt with during the meeting. Such presentation documentation is normally filed in the company's records and made available, together with official documentation, on a recently adopted shared IT portal.

During 2018, the above-mentioned period of five days was generally complied with and in any case the Board was informed, as far as possible, with sufficient notice in order to undertake a complete and correct valuation of the matters under examination, promptly and appropriately exploring all matters subject to Board of Directors' motions. On the outcome of the Board's self-assessment, the opportunity

⁶ The number of meetings of the Board held in 2018, the average duration, the number of meetings scheduled for the current year, as well as the percentage attendance at the Board of Directors' meetings and of the Committees are indicated in the Section: "Activities of the Board of Directors and of the Committees in 2018 and 2019 up to the date of the present Report".

emerged to take action for the improvement of Board reporting by introducing a procedure for prompt notification on the uploading of documents on the portal and increasingly involving the structure to facilitate a continuous exchange between the Board of Directors and management.

The documents containing confidential information are normally sent or made available only and directly to Directors, specifying the nature of the document and through the manner agreed, in order to ensure confidentiality.

As well as the Secretary to the Board, the Chief Financial Officer usually attends the Board meetings, who provides greater details on the financial implications of the matters on the agenda. On the occasion of specific resolutions, senior managers responsible for the specific functions or managers in charge of specific activities and/or consultants directly involved are invited to express and provide opinions on the matters on the Agenda. For example purposes only, on motions concerning the remuneration of the Chief Executive Officers, the VP Corporate & Strategy, Enrica Satta attended the meetings, while the Credit Manager outlined the credit position to the Control, Risks and Sustainability Committee; the Group Chief Marketing Officer and the VP Go To Market attended the Board of Directors meetings for the presentation of specific items of business.

The Chairman of the Board meeting ensures that the matters subject to discussion are allocated the time necessary to ensure constructive debate and which encourages the contribution of Directors; it is ensured also that all the necessary and requested reviews and assessments are carried out at the board meetings. Board discussions are characterised by an environment of cohesion supportive of open and constructive debate, while also respecting differing opinions.

The meetings of the Board of Directors are held at least quarterly and every time the Chairman considers it necessary or when a request as outlined above is made. On the outcome of the Board's self-assessment, the Directors proposed increasing the number and duration of meetings, non-board meetings or audio/video conferences to facilitate everybody's participation.

In accordance with Article 19 of the By-Laws, the widest powers are attributed to the Board of Directors for the management of the Company as well as the faculty to carry out all acts and operations considered necessary for the reaching of the corporate objectives, except in the case of those attributed by law to the Shareholders' Meeting or deriving from specific authorisations required by the By-Laws.

The Board of Directors also has the following duties:

- a) merger and spin-off resolutions in the cases established by articles 2505 and 2505-bis, of the Civil Code;
- b) the opening, transfer and closing of secondary offices;
- c) the indication of which Directors may represent the company;
- d) the issue of non-convertible bonds within the limits set out in article 2412 of the Civil Code and convertible within the limits set by article 2420-ter of the Civil Code;
- e) the reduction of the share capital in the case of return of shares by shareholders;
- f) updating the company By-laws and the shareholder meeting regulation in accordance with law;
- g) the transfer of the registered office to another municipality in the national territory;
- h) the reduction of the share capital where losses are greater than one-third of the share capital and the Company has issued shares without nominal value.

Based on the powers conferred, the Board of Directors:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group, periodically monitoring their implementation; establishes the corporate governance of the Company and the structure of the Group.
- defines the nature and level of risk compatible with the strategic objectives of the Company, including in their assessments all risks considered significant with regard to the sustainability of the medium/long-term operations;
- evaluates the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries having strategic importance⁷, which has been implemented by the

⁷ The Board of Directors of Elica, considering the size of the group which the Company heads, usually extends this assessment to all subsidiaries; on the approval of the 2018 and 2019 audit plans, the Board established that, for these plans, in order to identify

executive directors with particular reference to the internal control and risk management system. In particular, the evaluation of the adequacy of the organisational, administrative and accounting structure of the Company and of the subsidiaries, in addition to the adequacy of the Internal Control and Risk Management System in terms of the Company's needs, was carried out by the Board at the meetings of March 15, 2018, August 2, 2018 and March 7, 2019. In the circumstances, the Board, also on the basis of information received from the Director in charge of the Internal Control System, from the assessments carried out by the Control, Risks and Sustainability Committee, the information provided by the competent company functions, in addition to the audit results, the activities and the Internal Audit assessments utilising the "Maturity Model for Internal Control" assessment system proposed by the "COBIT" framework of ISACA, assessed the overall level of maturity of the Internal Control System as "Defined (Defined Process)", as risk awareness is accompanied by documented and communicated activities and processes;

- evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets. In particular, the Board evaluates the general operational performance, on the occasion of the approval of the quarterly and half-yearly reports;
- considers operations of the Company and its subsidiaries, when such operations have a significant strategic, economic, equity or financial importance for the Company or when the Executive Directors consider the involvement of the Board appropriate, although not relating to significant operations. The Board motions of the Issuer concerning subsidiary operations are justified also by the need to expressly authorise significant operations or certain decisions which need to be approved, according to regulations or the By-laws, by the shareholders of such companies. With reference to 2018, we highlight in this regard the approval of the partial disposal of the subsidiary Elica PB India Private Limited.

Following the entry into force of Consob Regulation No. 17221/10, the Board identified specific criteria for the identification of significant transactions, in accordance with the provisions of attachment 3 of the regulation.⁸ In addition, the Board undertakes all decisions not specifically attributed to the Executive Directors.⁹ The decisions, which due to their subject or amount are not within the remit of the executive directors, are those which, indirectly, the Board has considered of particular strategic, economic, equity or financial significance.

- carry out, at least once a year, an evaluation on the functioning of the Board and of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of service, also in relation to the diversity criteria as per Article 2 of the Code. Specifically, in compliance with paragraph 1.C.1. of the Self-Governance Code, between December 2017 and February 2018, GC Governance Consulting, a specialised corporate governance firm, supported the Board in executing the Board Evaluation for financial year 2017, whose results are outlined in the Corporate Governance and Ownership Structure Report referring to the year, available on the company website. In the months of January and February 2019, the Board of Directors of Elica carried out its own self-assessment, also utilising the external support of GC Governance Consulting. The board evaluation for the Board in office and referring to the year 2018, the first mandate year, was carried out with the supervision of the Appointments and Remuneration Committee and for it by its Chairman, through
 - the analysis of documentation relating to the company (By-Laws, Top Management Organisational Charts, Corporate Governance and Ownership Structure Report, Remuneration Report, Committee Regulations, Annual Internal Audit Report and Non-Financial Statement);

the scope of the Internal Audit activities, the criteria outlined at Article 151 of the Issuers' Regulation should be used to identify the subsidiaries of Elica with strategic importance.

⁸ Reference should be made in this regard to the procedure for transactions with related parties adopted by the Board of Directors on November 11, 2010, in accordance with Article 2391-bis of the Civil Code and Article 4 of the Consob Regulation concerning related parties, approved with resolution No. 17221 of March 12, 2010, as subsequently amended ("Transactions with related parties procedure Consob Regulation"), available on the Company website <http://elica.com/corporation> Corporate Governance Section.

⁹ See in this regard the Section "4.4 Executive Boards".

- Interviews with Directors supported by the compilation of a questionnaire divided into four survey areas:
 - a) Composition of the Board of Directors;
 - b) Role of the Board of Directors;
 - c) Expectations and operations;
 - d) Internal Committees;
- discussions with the departments that are most involved in Board of Directors' activities (HR, CFO and Legal)
- interview to the Board of Statutory Auditors.

The results were presented to the Board of Directors at the meeting of March 7, 2019.

An overall positive framework emerged, where the following aspects are particularly notable:

- the composition of the Board of Directors is adequate in terms of the number, professional expertise, diversity and balance between executive, non-executive and independent directors;
- meetings characterised by an environment of cohesion supportive of open and constructive debate, while also respecting differing opinions.

- Committee's efficient and effective work in support of the Board.

The Shareholders' Meeting did not authorise, nor were the Board presented with, any general or specific competitor agreements as per article 2390 of the Civil Code.

Activities of the Board of Directors and of the Committees in 2018 and 2019 up to the date of the present Report.

In the year 2018:

- the Board of Directors met seven times (the average meeting duration was approx. 2 hours and 40 minutes), respectively on February 12, March 15, April 27, May 7, June 1, August 2 and October 30;
- the Control, Risks and Sustainability Committee met four times (average meeting duration of approx. 2 hours), respectively on February 6, March 14, July 18 and October 29;
- the Appointments and Remuneration Committee met four times (average meeting duration of approx. 1 hour and 30 minutes), respectively on February 6, March 14, July 18 and October 29;
- Minutes are kept of the Board and Committee meetings and the Chairpersons of each Committee reported upon such at the next appropriate Board of Directors meeting.

In TABLE 2 - Attendance at the Board of Director and Committee meetings, complete details are shown relating to attendances by directors at the meetings of the Board of Directors and the Committees (Control, Risks and Sustainability Committee and the Appointments and Remuneration Committee) in the period from January 1, 2018 to December 31, 2018.

In relation to 2019, at the date of this Report, seven meetings of the Board of Directors are scheduled, on the approval of year-end financial statements and on the Shareholders' Meeting.¹⁰For further details, the corporate events calendar of the Company may be consulted on the website <http://elica.com/corporation> in the Investor Relations section.

Also with reference to the year 2019, the Appointments and Remuneration Committee and the Control, Risks and Sustainability Committee met on February 8 and March 6. At least 5 meetings are scheduled for each Committee in the year 2019, with pre-set calendar dates taking account of the sequence of board meetings with respect to those of the Board of Directors.

¹⁰ The 7 meetings scheduled include the meetings already held on February 12, February 22, 2019 and March 7, 2019.

4.4 Executive Boards

In order to ensure greater management efficiency and in conformity with article 2 of the Self-Governance Code, the Board of Directors delegated adequate powers to the Executive Directors, who periodically report in relation to the exercise of such delegated powers.

Following that resolved by the Board of Directors in the meeting of April 27, 2018, the following powers were attributed:

A. to the **Chairman of the Board of Directors** of the Company, Mr. FRANCESCO CASOLI ("EXECUTIVE CHAIRMAN"), REPRESENTATION OF THE COMPANY AGAINST THIRD PARTIES AND IN LEGAL MATTERS, GENERAL SUPERVISION OF THE STRATEGIC POLICIES OF THE COMPANY AS WELL AS ALL POWERS WHICH THE BY-LAWS ATTRIBUTE TO THE BOARD OF DIRECTORS WITH THE EXCEPTION OF THOSE NON-LEGALLY DELEGABLE AND THE FOLLOWING POWERS WHICH REMAIN WITHIN THE EXCLUSIVE REALM OF THE BOARD OF DIRECTORS:

- APPROVAL OF THE ANNUAL BUDGET;
- PURCHASE AND/OR SALE OF INVESTMENTS, BUSINESSES AND BUSINESS UNITS, RENTAL OF BUSINESSES AND/OR BUSINESS UNITS, FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PROVISION OF SECURED AND NON-SECURED GUARANTEES, INCLUDING ATYPICAL, FOR THIRD PARTY OBLIGATIONS OF A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- OBTAINMENT OF LOANS OF A UNITARY AMOUNT ABOVE EURO 5,000,000.00;
- CONCLUSION OF LEASING OR RENTAL CONTRACTS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF ASSETS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF BRANDS, TRADEMARKS AND INDUSTRIAL PROPERTY RIGHTS IN GENERAL, AS WELL AS THE CONCLUSION OF RELATED LICENCES;
- APPOINTMENT OF THE GENERAL MANAGER OF THE COMPANY;
- EVERY DECISION REGARDING THE EXERCISE OF THE VOTING RIGHT OF SUBSIDIARY AND/OR ASSOCIATED COMPANIES FOR MATTERS RELATED TO THE PRESENT LIST OF POWERS.

A FURTHER EXCEPTION TO THE POWERS ATTRIBUTED TO THE CHAIRMAN MR. FRANCESCO CASOLI RELATES TO THE POWERS CONCERNING THE TITLE OF "EMPLOYER" AS PER LEGISLATIVE DECREE 81/2008, THE "APPOINTED OFFICER" FOR THE PROTECTION OF THE ENVIRONMENT AS PER LEGISLATIVE DECREE 152/2006, THE "HANDLER" OF PERSONAL DATA FOR ELICA S.P.A. AS PER LEGISLATIVE DECREE 196/03, THE ELECTRONIC STORAGE MANAGER IN ACCORDANCE WITH PRESIDENTIAL DECREE OF 3/12/2013, AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS; THESE POWERS WERE CONFERRED TO THE C.E.O. OF THE COMPANY.

THE UNITARY LIMITS STATED ABOVE INCLUDE ALSO SEVERAL OPERATIONS OF THE SAME NATURE CLASSIFIABLE BY MANNER, TERMS OR SCOPE AS A SINGLE OPERATION.

IN RELATION TO ALL OF THE POWERS CONFERRED, THE EXECUTIVE CHAIRMAN WILL HAVE THE FACULTY TO APPOINT POWERS OF ATTORNEY FOR SINGLE ACTS OR CATEGORIES OF ACTS.

The Board of Directors conferred the powers above to the Chairman, in consideration of the role which the Chairman has had and has in the growth of the Company and based on his experience and professionalism in the sector.

B. to the **Chief Executive Officer** of the Company, Mr. ANTONIO RECINELLA, REPRESENTATION OF THE COMPANY TO THIRD PARTIES AND IN LEGAL MATTERS, IN ADDITION TO ALL POWERS WHICH THE BY-LAWS ATTRIBUTE TO THE BOARD OF DIRECTORS WITH THE EXCEPTION OF THOSE OF EXTRAORDINARY ADMINISTRATION, THOSE NON-LEGALLY DELEGABLE AND THE FOLLOWING POWERS WHICH REMAIN WITHIN THE EXCLUSIVE REMIT OF THE BOARD OF DIRECTORS:

- APPROVAL OF THE ANNUAL BUDGET;
- PURCHASE AND/OR SALE OF INVESTMENTS, BUSINESSES AND BUSINESS UNITS, RENTAL OF BUSINESSES AND/OR BUSINESS UNITS, FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PROVISION OF SECURED AND NON-SECURED GUARANTEES, INCLUDING ATYPICAL, FOR THIRD PARTY OBLIGATIONS OF A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- OBTAINMENT OF LOANS OF A UNITARY AMOUNT ABOVE EURO 5,000,000.00;

- CONCLUSION OF LEASING OR RENTAL CONTRACTS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF ASSETS FOR A UNITARY AMOUNT ABOVE EURO 3,500,000.00;
- PURCHASE AND/OR SALE OF BRANDS, TRADEMARKS AND INDUSTRIAL PROPERTY RIGHTS IN GENERAL, AS WELL AS THE CONCLUSION OF RELATED LICENCES;
- APPOINTMENT OF THE GENERAL MANAGER OF THE COMPANY;
- EVERY DECISION REGARDING THE EXERCISE OF THE VOTING RIGHT OF SUBSIDIARY AND/OR ASSOCIATED COMPANIES FOR MATTERS RELATED TO THE PRESENT LIST OF POWERS.

THE UNITARY LIMITS STATED ABOVE INCLUDE ALSO SEVERAL OPERATIONS OF THE SAME NATURE CLASSIFIABLE BY MANNER, TERMS OR SCOPE AS A SINGLE OPERATION. IN RELATION TO ALL OF THE POWERS CONFERRED, THE CHIEF EXECUTIVE OFFICER WILL HAVE THE FACULTY TO APPOINT POWERS OF ATTORNEY FOR SINGLE ACTS OR CATEGORIES OF ACTS.

THE CHIEF EXECUTIVE OFFICER IS THE PRIMARY PARTY RESPONSIBLE FOR THE MANAGEMENT OF THE ISSUER.

THE CHIEF EXECUTIVE OFFICER IS ALSO ASSIGNED THE ROLE OF APPOINTED OFFICER FOR THE PROTECTION OF THE ENVIRONMENT, IN ACCORDANCE WITH LEGISLATIVE DECREE 152/2006 AND ASSOCIATED DECREES, WITH THE POWER TO DELEGATE, AS WELL AS ALL THE POWERS, NONE BEING EXCLUDED, CONCERNING THE PROGRAMMING, ORGANISATION, MANAGEMENT AND CONTROL OF THE COMPANY IN RELATION TO WORKPLACE HEALTH AND SAFETY AND, IN PARTICULAR, THE POWERS OF ORGANISATION AND SELECTION AND OF PREVENTION AND PROTECTION MEASURES IN ORDER TO ENSURE THE FULL DISCHARGE OF LEGAL AND CORPORATE OBLIGATIONS IN IMPLEMENTING SAFETY MEASURES AND ASSOCIATED CONTROL, GUARANTEEING FULL AND PROMPT COMPLIANCE AND THOROUGH OBSERVANCE BY THE COMPANY AND ALL EMPLOYEES OF RULES CONCERNING WORKPLACE SAFETY AND HYGIENE, SUITABLY INFORMING AND INSTRUCTING PERSONNEL IN CHARGE AND ALL SPECIALISTS, AND ASSIDUOUSLY CONTROLLING THE FACILITIES, OFFICES AND EXTERNAL BUILDING SITES WITH FULL AND TOTAL DECISION-MAKING AUTONOMY AND INDEPENDENCE, AS WELL AS WITH FULL AND UNLIMITED POWERS OF EXPENDITURE IN RELATION TO ALL THAT IS NECESSARY TO EQUIP THE COMPANY, FACILITIES, OFFICES AND EXTERNAL BUILDING SITES WITH ALL THE SUITABLE RESOURCES FOR THE PROTECTION OF THE SAFETY AND HEALTH OF WORKERS AND THIRD PARTIES REQUIRED BY LAWS ON THE SECURITY AND PROTECTION OF WORKERS' HEALTH, ENACTED AND TO BE ENACTED IN FUTURE AND, IN PARTICULAR, BY LEGISLATIVE DECREE 81/2008 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS, AND ASSOCIATED LAWS.

THE CHIEF EXECUTIVE OFFICER ASSUMES THE ROLE AND FUNCTIONS OF "EMPLOYER", PURSUANT TO AND IN ACCORDANCE WITH ARTICLE 2, PARAGRAPH 1, LETTER B) OF LEGISLATIVE DECREE NO. 81/2008 CONCERNING THE PREVENTION OF ACCIDENTS AND THE PROTECTION OF WORKERS' HEALTH AT THE WORKPLACE, WITH REFERENCE TO ALL THE COMPANY'S WORKERS AND WORK PREMISES, WHEREVER THEY ARE LOCATED, AND IN ANY CASE WHERE THE COMPANY HAS LEGAL RESPONSIBILITY OR LEGAL TITLE OF THE SITES AND ORGANISATION, WITH POWERS TO DELEGATE ALL THE OBLIGATIONS TO BE COMPLIED WITH AND THE REQUIREMENTS TO BE IMPLEMENTED, IN COMPLIANCE WITH THE PROVISIONS OF LEGISLATIVE DECREE NO. 81/2008 AND THE ORGANISATION, MANAGEMENT AND CONTROL MODEL OF ELICA S.P.A. AS PER LEGISLATIVE DECREE 231/2001, WITH THE EXCEPTION OF THOSE THAT CANNOT BE EXPRESSLY DELEGATED PURSUANT TO ARTICLE 17, LETTERS A) AND B) OF LEGISLATIVE DECREE NO. 81/2008. SUCH POWERS OF DELEGATION, WHERE EXERCISED, SHOULD COMPLY WITH THE PARAMETERS INDICATED IN ARTICLE 16 OF THE MENTIONED DECREE.

IN ADDITION, THE CHIEF EXECUTIVE OFFICER IS ATTRIBUTED THE WIDER POWERS AND FACULTIES, WITHIN STATUTORY LIMITS, AS THE "HANDLER" OF PERSONAL DATA FOR ELICA S.P.A., AS PER LEGISLATIVE DECREE NO. 196/03 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS, INCLUDING REPRESENTATION OF THE COMPANY WITH THIRD PARTIES, INCLUDING THE PRIVACY GUARANTEE.

THE CHIEF EXECUTIVE OFFICER IS ALSO APPOINTED ELECTRONIC STORAGE MANAGER IN ACCORDANCE WITH PRESIDENTIAL DECREE OF DECEMBER 3, 2013, GRANTING HIM FULL DECISION-MAKING POWERS AND WITHOUT EXPENDITURE LIMITS, WITH THE POWER TO DELEGATE SOME OF HIS DUTIES TO PERSONS POSSESSING SUITABLE PROFESSIONAL AND TECHNICAL CHARACTERISTICS.

There are no cases of interlocking directorates, as defined in Article 2.C.6. of the Code.

Reporting to the Board of Directors

In order to guarantee transparency and proper disclosure within the Company relating to the activities carried out by the directors with operational powers, and in conformity with Article 1.C.1., letter d), of the Code and the By-laws, the executive directors report in a timely manner, and at least quarterly, to the Board of Directors and the Board of Statutory Auditors in relation to the activities carried out in execution of the powers delegated, on the general performance and on the outlook, as well as on significant operations for size or characteristics carried out by the Company and its subsidiaries.

In particular, the company bodies report upon any atypical and unusual transactions with related parties and/or which may cause potential conflicts of interest, on their own behalf or of third parties, as well as concerning the strategic plan, industrial and financial projects of the Company and of the Group.¹¹

In 2018, the executive directors reported systematically to the Board in relation to the powers delegated to them.

4.5 Other Executive Directors

No other directors apart from those indicated in the previous Section 4.4 are considered as executive directors within the Company.¹²

In particular, on the Board there are no further directors than those indicated in the previous section acting as Chief Executive Officer or Executive Chairman of a subsidiary and/or holding managerial offices in the company, in a subsidiary or in the parent.

4.6 Independent Directors

Within the Board of Directors, in compliance with Article 3.P.1. of the Code, the Directors Elio Cosimo Catania, Davide Croff, Barbara Poggiali, Cristina Finocchi Mahne and Federica De Medici are considered independent on the basis of the declarations issued by them and assessments made by the Board of Directors on their appointment, and subsequently, on March 7, 2019.

The independent directors, following the evaluation carried out by the Board of Directors in conformity with Articles 3.C.1. and 2 of the Self-Governance Code and Article 148, paragraph 3 of the CFA, are considered independent as:

- a) they do not directly or indirectly, including through subsidiaries, trusts or nominees, control the Company and are not capable of exercising significant influence, or participate in a shareholder agreement through which one or more parties can exercise control or significant influence on the Company;
- b) they are not and have not been in the previous three years, a senior representative¹³ of the Company or of one of its subsidiaries with strategic importance or of a company subject to common control, or of a company or of a body that, even together with others through a shareholder agreement, controls the Company or is able to exercise significant influence;

¹¹ For further information on the procedures concerning transactions with related parties and/or which may result in potential conflicts of interests, reference is made to the subsequent section "12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES", in addition to the Procedures for Transactions with Related Parties, published on the website of the Company <http://elica.com/corporation>(Corporate Governance section).

¹² The Chairman of the Board of Directors, Francesco Casoli acts as the Sole Director of Fintrack S.p.A. and is the Executive Director of FAN S.r.l.

¹³ "Senior representatives" of a company or an entity concern: the Chairman of the body, the Chairman of the Board of Directors, the Executive Directors and senior management.

- c) they do not have and have not had, directly or indirectly (for example through subsidiary companies or where they are a relevant member, or as partner of a professional advisory firm or a consultancy company) in the previous year, a significant commercial, financial or professional relationship:
 - with the Company, a subsidiary, or with some relevant members;
 - with a party that, also together with others through a shareholder agreement, controls the Company, or – in relation to companies or bodies - with the relevant members;
 - or are not and were not in the previous three years, an employee of one of the above parties;
- d) they do not receive and have not received in the previous three years, from the Company or a subsidiary or parent company a significant additional remuneration other than the "fixed" fee of non-executive director and the compensation for Committee membership established by the Code, including incentive participation plans relating to the performance of the company, including share-based payments;
- e) they have not been a director of the Company for more than nine of the past twelve years;
- f) they are not an executive director in another company in which an executive director of the Company is a director;
- g) they are not shareholders or directors of a company or of an entity belonging to the network of the auditors of the Company;
- h) they do not have a close family member in a situation described in the previous points.
- i) the conditions established by Article 2382 of the Civil Code are not applicable;
- l) they are not spouses, relatives or close members within the fourth level of the directors of the Company; they are not directors, spouses, relatives or similar within the fourth level of the directors of the companies controlled, of the companies that control it or subject to common control;
- m) they are not related to the Company or any subsidiaries or companies that control the Company or subject to any common control or to the directors of the Company or any parties at letter l) above or independent or subordinated employment or any other monetary or professional relationship which may compromise their independence.

The assessment of independence was undertaken by the Board of Directors, in accordance with Article 3.C.4. of the Code and Article 147-ter, paragraph 4 of the CFA, based on the declarations made by the interested parties and available to the Company. The result of these assessments was communicated to the market. At the same time, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board in accordance with Article 3.C.5. of the Code. For the result of these evaluations, reference should be made to the subsequent Section "Board of Statutory Auditors activities in 2018 and in 2019 until the date of the present Report" and to that reported in the Board of Statutory Auditors Report to the Shareholders' Meeting, available on the Company website <http://elica.com/corporation> in the Investor Relations Section.

The presence of five Non-Executive and independent Directors on the board of the Company has the objective of achieving the greatest possible corporate "good governance" through enabling debate and dialogue between all of the Directors.

The contribution of the independent directors permits the Board to evaluate with sufficient independence in cases of potential conflicts of interest of the Company with the controlling shareholders.

In 2018, the independent directors, in accordance with Article 3.C.6. of the Code, met on October 29, also to discuss the functioning of the Board and of the Committees, the role of the Directors and to agree proposals for ensuring the provision of better support to management and value to the company: during the meeting, Independent Directors stated their wish for ever more frequent dialogue between the Board and management, and a greater degree of involvement by the Board, including through more in-depth business knowledge. Independent Directors also discussed the implementation of the Related Party Transactions Regulation, confirming that there were no reasons to amend the Regulation.

Directors who declare their independence are committed to maintain such for the duration of their mandate and where necessary, resign.

4.7 Lead Independent Director

On April 27, 2018, following the appointment of the new Board of Directors, under application criteria 2.C.5. of the Code (Lead Independent Director) Ms. Federica De Medici was appointed to the role.

The Lead Independent Director has the right, among others, on his own initiative or upon the request of the other directors, to summon meetings of the independent directors in order to discuss issues that are considered relevant regarding the functioning of the Board of Directors or management in general.

From the appointment date and for the year 2018, the Lead Independent Director operated as a reference point for the other independent directors, collaborating, among others, with the Chairman of the Board of Directors, in order to guarantee complete and timely information for the independent directors.

The Board considered it necessary to appoint a Lead Independent Director in consideration, among other issues, of the extent of the duties conferred to the Chairman of the Board of Directors (although he does not act as C.E.O.) and the offices held in the company's holding company. The Chairman of the Board of Directors Francesco Casoli is the majority shareholder of the holding company which indirectly controls the company and holds the position of director at Elica's parent companies; therefore, he indirectly controls the company in accordance with Article 93 of the CFA.

5. PROCESSING OF CORPORATE INFORMATION AND PERSONS WITH ACCESS TO CONFIDENTIAL INFORMATION ("INSIDERS REGISTER").

In accordance with Article 4 of the Self-Governance Code, the company has adopted a Regulation concerning the internal management and outside communication of documents and information regarding the company, particularly in terms of insider information, as defined by the provisions of Article 7, Regulation 596/2014/EC and Article 114, paragraph 1 of the CFA. The Regulation was last updated in October 2018 for the purposes of associated compliance with recent legislative amendments.

The regulation adopted by the company is divided into two parts. The first part sets out the handling of company information and outlines in general, also with regards to the subsidiaries, the means for the identification and handling of Insider Information, including: the relative disclosure, the delay of communication to the public, penalties in the case of non-compliance with the regulation, in addition to the situations in which the company may decide to carry out market soundings.

The second part governs the setting up, management and updating of the list of persons, who based on their work or professional activities or the duties conferred to them, have access to the information indicated at Reg. (EC) 596/2014 and Article 114, paragraph 1 of the CFA.

The Company has published the provisions of this regulation internally within the Company and its subsidiary companies and has systematically managed through a delay communication and/or has communicated the confidential information published from time to time.

In October 2018, the Board of Directors of the Company in addition updated the "Insider Information Policy" and the "Management of the insider register" policy.

From September 27, 2007 until March 15, 2018 Laura Giovanetti held the role of "Investor Relations Manager" with responsibility for the Insider Register of the Company. From March 19, 2018, the duties of Dr. Giovanetti were assumed by the Group Controlling & Investor Relations Director, Giulio Coccia.

6. INTERNAL COMMITTEES

The Board of Directors of the Company, in accordance with Article 4.P.1. of the Self-Governance Code, approved and subsequently confirmed the setting-up of an "Appointments and Remuneration Committee" and a "Control, Risks and Sustainability Committee", formed by independent directors.¹⁴ The duties attributed by the Code to the Committees were therefore not reserved for the entire Board. The Appointments and Remuneration Committee was established in accordance with Article 4.C.1., letter c) and in compliance with the provisions of Articles 5.P.1. and 6.P.3. of the Code. The decision to create and maintain a single Committee for the Appointment and Remuneration of Directors, confirmed latterly by the Board at the assessment of April 2018, is based on the size of the Board and of the company, in addition to the need of the company to maintain, and in compliance with the conditions of the Code, a responsive and effective organisation. In addition, the Board considered that the creation of an additional Committee would not improve corporate governance, since the functioning of the Committees was assessed as optimal during the self-assessment. The functions and activities of the Committee with regard to remuneration and the replacement of directors are, in any case, clearly distinct.

The Control, Risks and Sustainability Committee was set up in accordance with Articles 4.P.1., 7.P.3. a (ii) and 7.P.4. of the Self-Governance Code.

The work of the Committees is co-ordinated by the respective Chairpersons: Elio Catania, Chairman of the Appointments and Remuneration Committee and Davide Croff, Chairman of the Control, Risks and Sustainability Committee.

Both Committees have adopted internal regulations governing their operation.

Further information on these committees is reported in the following sections "7. ASSESSMENTS ON THE OPPORTUNITY TO SET UP AN APPOINTMENTS COMMITTEE", "8. Appointments and Remuneration Committee" and "10. Control, Risk AND SUSTAINABILITY Committee."

7. ASSESSMENTS ON THE OPPORTUNITY TO SET UP AN APPOINTMENTS COMMITTEE

The Company, following the latest assessment of April 27, 2018, decided not to set up a specific Appointments Committee. Consequently, the Appointments and Remuneration Committee was assigned also the functions of the Appointments Committee.

For further information, reference should be made to section "6. INTERNAL COMMITTEES" and "8. Appointments and Remuneration Committee"

8. APPOINTMENTS AND REMUNERATION COMMITTEE

Composition and operation of the Committee (as per Article 123-bis, paragraph 2, letter d) CFA)

The Board of Directors of the Company, in accordance with articles 4.P.1., 5.P.1. and 6.P.3. of the Self-Governance Code, set up an Appointments and Remuneration Committee.

Committee Members from April 27, 2018 to-date are the Independent Directors Elio Catania (Chairman), Davide Croff and Barbara Poggiali.¹⁵

The Appointments and Remuneration Committee was allocated all of the duties established by Articles 5.C.1, 6.P.4. and 6.C.5. of the Self-Governance Code. In addition, on February 12, 2016, the Appointments and Remuneration Committee, following the adoption by the Company of a succession plan for executive directors, were assigned the additional functions necessary for the effective implementation of the plan.¹⁶

¹⁴ As from April 27, 2018, the Committee named "Internal Control & Risk Management Committee" took the name of "Control, Risks and Sustainability Committee".

¹⁵ From January 1, 2018 to April 27, 2018, the Appointments and Remuneration Committee was composed of Elio Catania (Chairman), Davide Croff and Enrico Vita. In 2018, Cristina Scocchia was a Committee Member up to March 12, 2018.

¹⁶ For further information, reference should be made to Note 4.1. Section: Succession plans.

The Board of Statutory Auditors is required to attend the meetings of the Committee, through the Chairman and the Standing Members of the Board.

The Members of the Committee have knowledge and experience in relation to accounting and financial matters and/or remuneration policies; in particular, the Chairman Elio Catania and Barbara Poggiali have particular remuneration policy experience and the Director Davide Croff has particular knowledge and experience in relation to accounting and financial matters. The Board considers that the Members of the Committee have sufficient professional abilities to carry out the roles entrusted to them.

This committee guarantees the greatest information and transparency on the remuneration of directors vested with specific offices, as well as the manner for determining the remuneration.

The Committee has solely proposing and consultative functions, while the power of determining the remuneration of the Directors vested with specific offices remains with the Board of Directors, having consulted with the Board of Statutory Auditors.

In particular, the Committee performs the following functions in accordance with the procedures established in its own regulations:

- a. draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board is considered beneficial, in addition to the matters as per Application criteria 1.C.3. and 1.C.4. of the Self-Governance Code (July 2018 version);
- b. proposes to the Board of Directors candidates for the office of director in the cases of co-opting, or to replace independent directors;
- c. defines and proposes the means and the timelines for the annual assessment of the Board of Directors;
- d. periodically evaluates the adequacy, the overall compliance and the application of the remuneration policy of senior directors and senior executives, utilising for this latter issue the information provided by the Chief Executive Officers.
- e. consequently presents to the Board of Directors related proposals and therefore proposes a policy for the remuneration of senior directors and senior managers; reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting.
- f. presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other senior directors as well as establishing the performance objectives related to the variable component of this remuneration; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
- g. within its remit, the Committee reviews the overall salary structure of the Company and in particular monitors the application of management incentive systems (including any share-based remuneration plans), i.e. those instruments put in place to attract and motivate employees with adequate experience, developing their sense of belonging and assuring over time a consistent commitment to the creation of value;
- h. oversees the Succession Plan for executive directors, executing the indicated functions.¹⁷
- i. monitors the updating of the management replacement tables, undertaken by the executive directors and supports the Chief Executive Officer and the competent functions with regard to the development of managers;
- j. with the support of the relevant company structures, prepares the documentation, on the issues within their remit, to be submitted to the Board of Directors for decision-making, in terms of those matters considered by applicable regulations. In particular, the Chairman of the Committee reports to the Board of Directors, at the first appropriate Board meeting, with regard to the activities of the Committee;
- k. reports to shareholders on the manner of exercise of their functions; therefore, the Chairman or another Committee member usually attends the Shareholders' Meeting.

¹⁷ For further information, reference should be made to Note 4.1. Section: Succession plans.

In relation to the activities undertaken by the Committee in 2018, the persons participating at the relative meetings and the instruments and resources available at the meetings, reference should be made to the first Section of the Remuneration Report.

For further information regarding the number of meetings held and the participation at the meetings for each of the members, reference is made to the section "Activities of the Board of Directors and of the Committees in 2018 and 2019 up to the date of the present Report.".

9. REMUNERATION OF DIRECTORS

For information on the present Section, reference should be made to the Remuneration Report, Section 1.

In accordance with Article 6.C.3. of the Self Governance Code, the remuneration of senior executives is established by the Corporate Boards in line with the criteria concerning remuneration of Executive Directors or those with specific roles.

In relation to the incentives for the Executive Responsible for the preparation of Corporate Accounting Documents, these are in line with the responsibilities assigned. These incentive mechanisms are not applicable to the Internal Audit manager, as this function is entirely outsourced.

10. CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

Composition and operation of the Committee (as per Article 123-bis, paragraph 2, letter d) CFA

The Board of Directors of the Company, in accordance with Articles 4.P.1. and 7.P.4. of the Self-Governance Code, set up a Control, Risks and Sustainability Committee.

Committee Members from April 27, 2018 to-date are the Independent Directors Davide Croff (Chairman), Elio Catania and Cristina Finocchi Mahne.¹⁸

The Control, Risks and Sustainability Committee is composed of members with adequate financial, accounting and risk management experience.

The Board of Statutory Auditors is required to attend the meetings of the Committee, through the Chairman and the Standing Members of the Board. In relation to the specific matters on the Agenda, and also on invitation, the following also attended: the Corporate Financial Reporting Manager, the Internal Audit Manager and the Company Managers.

The Control, Risks and Sustainability Committee, within the scope of its powers, in observance of the recommendations of the Self-Governance Code, supports, with appropriate preparatory activities, the assessments and decisions of the Board of Directors on the Internal Control and Risk Management System, in addition to those concerning the approval of the periodic financial reports. The Committee, in particular, has been appointed to:

- provide opinions to the Board of Directors (i) establishing the guidelines of the Internal Control and Risk Management System, so that the principal risks relating to the Company and its subsidiaries are correctly identified, in addition to adequately measured, managed and monitored (ii) evaluating, at least annually, the adequacy of the Internal and Risk Management System in relation to the characteristics of the Company and the risk profile assumed, in addition to its efficacy (iii) approving, at least annually, the work plan prepared by the Internal Audit Manager, having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System (iv) in the description of the principal characteristics of the internal control and risk management system for the evaluation of its adequacy; and (v) having consulted

¹⁸ From January 1, 2018 to April 27, 2018, the Committee was composed of Davide Croff (Chairman), Elio Catania and Enrico Vita. In 2018, Cristina Scocchia was a Committee Member up to March 12, 2018.

with the Board of Statutory Auditors, the findings of the independent audit firm in any letter containing suggestions and in the report on fundamental questions arising during the audit;

- provides a favourable opinion to the Board of Directors (i) on the appointment and replacement of the Internal Audit manager (ii) ensuring adequate resources for the carrying out of their duties and the determination of the remuneration of the Internal Audit manager, in accordance with company policy;
- evaluate, together with the Executive Responsible for the preparation of corporate accounting documents, following consultation with the auditors and the board of statutory auditors, the correct application of the accounting principles and, in the case of groups, their uniformity in the preparation of the consolidated financial statements;
- express opinions on specific aspects concerning the identification of the principal corporate risks;
- examine the periodic reports, concerning the evaluation of the internal control and management of risks system, and those of particular size, prepared by the internal audit department;
- monitor the independence, adequacy, efficacy and efficiency of the internal audit department;
- request verifications on specific operating areas from the Internal Audit department, communicating at the same time such to the Chairman of the Board of Statutory Auditors;
- through the Chairman of the Committee, at the next appropriate Board meeting, report to the Board on the meetings held and, at least every six months, on the approval of the annual and half-year reports, communicates to the Board a formal report on the work carried out and on the adequacy of the internal control and risk management system;
- perform the additional consultative and/or propositional tasks assigned by the Board of Directors, particularly with regard to relations with the independent audit firm;
- support, with appropriate preparatory activity, the assessments and decisions of the Board of Directors concerning the management of risk from events which come to the attention of the Board of Directors.
- assigned proposal and consultative functions with regards to the Board of Directors as per Legislative Decree 254/2016, in application of the European sustainability regulation, i.e. the processes, initiatives and activities required to communicate the company's commitment to sustainable development throughout the supply chain. For example purposes, the Committee:
 - examines and evaluates: (i) sustainability policies aimed at ensuring the creation of value over time for the collectivity of shareholders and for all other stakeholders over a medium-long term period in accordance with the principles of sustainable development; (ii) the guidelines, objectives and consequent processes of sustainability and sustainability reporting submitted annually to the Board of Directors;
 - examines any sustainability initiatives submitted to the Board of Directors;
 - expresses an opinion on other sustainability issues at the Board's request.

The Control, Risks and Sustainability Committee was also allocated the role to issue a non-binding prior opinion on the interest of the company, as well as the suitability and substantial correctness of the conditions, in the case of transactions with related parties as per the Procedure for Transactions with Related Parties¹⁹.

In 2018, the Control, Risks and Sustainability Committee, among others, and in accordance with the procedures established in its own regulations:

- analysed the periodic reports, concerning the evaluation of the internal control and risk management system, prepared by the Internal Audit department;
- took note of Elica S.p.A.'s Risk Profile, presented by Internal Audit, and assessed the quality and the means for Internal Audit's execution of risk assessments;

¹⁹ See also par.: 4.1 "Prior opinion of the Committee" of the procedure for Transactions with Related Parties, available on the Company website. For further information regarding the participation at the meetings for each of the members, reference is made to section "Activities of the Board of Directors and of the Committees in 2018 and 2019 up to the date of the present Report".

- assessed the system of reporting and internal information flows to the company and to the subsidiaries for the identification, assessment and management of risks;
- assessed, together with the executive officer for financial reporting and having consulted with the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting policies and their uniformity for the preparation of the consolidated financial statements;
- noted the report of the Internal Control System at Elica prepared by Internal Audit, in support of the assessment upon the adequacy and effective operation of the Internal Control and Risk Management System;
- assessed the adequacy of the Internal Control and Risk Management System;
- assessed the reports of the Credit Committee and upon related party transactions, proposing to maintain the Related Party Transactions procedure adopted by the company unchanged;
- assessed the 2018-2020 Audit Plan and proposed changes/integrations to it for 2019.
- approved the implementation of the company procedures systemisation project and constantly monitored its implementation;
- issued a favourable opinion on extending the Internal Audit appointment awarded to the company Protiviti S.r.l. and made proposals to improve the internal control system structure;
- assessed the Non-Financial Declaration proposal and the procedure for its drafting;
- took note of activities undertaken for the purposes of aligning the GDPR Privacy Policy;
- gave a favourable opinion on the Board's approval of the "Regulation for the Handling of Corporate Information and on the establishment of the updated List of Persons having access to Insider Information" and acknowledged the updates made to associated procedures.
- reiterated the importance of including sustainability objectives in the planning of medium-term business strategies.

The Committee had access to the information and departments for the undertaking of their duties as well as the assistance of external consultants, within the terms established by the Board. Therefore, as the Committee availed of the resources, the means and the structure of the Company, the provision of specific financial resources is not provided for.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER B), CFA)

The Board, with responsibility for the overall internal control and risk management system, defines, also with the support of the Control, Risks and Sustainability Committee, the guidelines to ensure that the principal risks of the Company and of the Group are identified, measured, managed and monitored, in line with best practice domestic and international models.

In establishing the guidelines for the risk management and internal control system, the Board also assessed the compatibility of this system with the strategic objectives identified and the level of risk considered acceptable in terms of medium/long-term sustainability.

The Internal Control and Risk Management System, based on the "COSO Report" model and on the Self-Governance Code principles, comprises a set of rules, procedures and organisational structures with the objective to prevent or limit the consequences of unexpected results or permit the achievement of strategic and operational objectives, comply with law and applicable regulations (compliance) and correct and transparent disclosure (reporting). This system concerns all of the Company and involves different parties attributed specific duties and responsibilities.

The Board of Directors of Elica defined the guidelines of the Internal Control System, taking into account the nature and level of compatible risk with the corporate strategic objectives. These risks are identified based on the following criteria:

- a) nature of the risk, particularly in relation to risks of a financial nature, those concerning compliance with accounting rules and those with a potentially significant impact on the reputation of the Company;
- b) significant probability of the occurrence of the risk;
- c) limited capacity of the Company to reduce the impact of the risk on operations;
- d) significant size of the risk.

The Board, taking account of the 231 Supervisory Body's reports, the Internal Audit's reports and the conclusions of the Internal Audit Manager in the annual report on the internal control system, of the information received from the appointed boards and of the opinion of the Director in charge of the Internal Control System, issued an evaluation of substantial adequacy, efficiency and effective functioning of the Internal Control and Risk Management System, on the understanding that the following areas would be improved: review and updating of procedures and policies system; prompt resolution by managers of the findings raised by the Internal Audit and subsidiary companies internal control improvement. In addition, the Board of Directors, having consulted the Board of Statutory Auditors and Director in charge of the Internal Control and Risk Management System, approved the 2019 Audit Plan, prepared by the Internal Audit Department.

11.1 Executive in charge of the Internal Control and Risk Management System

The Company appointed a Director in charge of the creation and maintenance of an effective Internal Control and Risk Management System, in line with Article 7.P.3. of the Self-Governance Code.

On April 27, 2018, the Executive Chairman, Francesco Casoli was confirmed Director in charge of the Internal Control System.

In particular, in 2018, the appointed Director, in the exercise of his functions:

- identified the main business risks, taking into account the characteristics of the activities undertaken by the Issuer and by its subsidiaries, and periodically presents them for examination to the Board of Directors on the approval of the quarterly reports;
- shared with the Board of Directors the guidelines utilised for the design, drawing up and management of the Internal Control and Risk Management System, verified the adequacy and implemented any adjustments necessary based on the operating conditions and of the legislative and regulatory environment;
- updated the Board of Directors on any problems arising on the undertaking of their activities;
- issued its positive opinion on the evaluation of the company's internal control system.

11.2 Internal Audit Department Manager

The Internal Audit department undertakes its Internal Auditing activity in order to assist the Board of Directors and the Control, Risks and Sustainability Committee, as well as the company's management, in discharging their responsibilities related to the Control and Risk Management System. The Internal Audit department, which does not report directly to any operational department, reports to the Board of Directors.

In accordance with the recommendations indicated at Articles 7.C.1. and 7.C.6. of the Self-Governance Code, on the proposal of the Executive in charge of the Internal Control and Risk Management System, having consulted with the Board of Statutory Auditors and with the approval of the Control, Risks and Sustainability Committee the Board of Directors appointed Protiviti S.r.l., a Management Consultancy company, a leader in the analysis and design of governance and organisation and control models, to execute the Internal Audit function, having met the professional standards, independence and organisation requirements. This choice was made, among other issues, with the objective to ensure greater oversight for operations and the adequacy of the internal control and risk management system.

During the year, the Internal Audit function carried out its activities in line with the approved plan. The appointments concerned the various areas of coverage, in terms of financial audits, compliance audits,

to ensure the effective implementation of the control system for compliance with internal or external rules or regulations and operational audits, for an assessment of the efficiency and efficacy of instruments to offset risks concerning the non-achievement of company objectives.

These reports were communicated to the Board of Directors (including the Executive Director in charge of the Internal Control System and the Chief Executive Officer), the Control, Risks and Sustainability Committee and the Board of Statutory Auditors.

11.3 Organisational Model as per Legislative Decree 231/2001

The Company, with regards to the entry into force of Legislative Decree No. 231 of June 8, 2001 and subsequent amendments and supplements, which introduced a specific system of responsibility upon companies for certain types of offenses, adopted appropriate measures to avoid, as per the regulation, the arising of such responsibility upon the Company, with the setting up of specific protocols and oversight systems to prevent certain offenses.

The Company therefore adopted with Board of Directors' motion of March 27, 2008 the Organisation, Management and Control Model as per Legislative Decree 231/01, which was thereafter subsequently updated, following the regulatory²⁰and organisational amendments, latterly of August 2, 2018.

The Model comprises a General Part and ten special parts.

The General Part essentially concerns the governance system of the company, adoption of the Organisation Model, the setting up of the 231 Supervisory Body and the communication of information to this latter, in addition to the reporting of the 231 Supervisory Body, from the corporate boards; the training of personnel and the system governing non-compliance with the models' provisions.

The special parts relating to similar offenses established under the decree and abstractly applicable to company concern: (i) Offenses against the Public Administration and inducements to refrain from making declarations or to provide false declarations to the Legal Authorities, (ii)Corporate offenses and criminal and administrative market abuse offenses (iii) Organised criminality offenses, offenses committed for the purposes of terrorism or subversion of the democratic order or transnational offenses, (iv)Offenses concerning the receipt, laundering and use of money, assets or goods of illegal origin, in addition to self-laundering (v) the Offenses of culpable homicide or serious or very serious injury committed in violation of rules for the protection of workplace health and security (vi)Offenses against industry and commerce and counterfeiting of money, public credit cards, tax stamps or trademarks (vii) Offenses against individual and copyright offenses (viii) IT offenses and the improper handling of data (ix) Employment of illegal aliens(x) Environmental offenses.

The special parts of the Model list the areas of risk for the relative offenses, stating the specific decision-making protocols and the relative conduct rules for those operating in the above areas and defining the monitoring procedures.

The attachments and supplements of the ELICA Organisational Model are:

- Ethics Code and governance system;
- List of offenses as per 231/01;
- Information flows with the 231 Supervisory Body;
- Connectivity matrix
- 231 Supervisory Body By-Laws;

For further details, reference should be made to <https://elica.com/corporation/it/corporate-governance/area-231>.

The 231 Supervisory Body of Elica S.p.A. in 2018 and until March 15, 2018 was comprised of Massinissa Magini Paolo (Chairman and external member), Cruciani Marco (external member) and Babbo Cristiano

²⁰ In particular, with reference to the provisions of Law 179/2017 ("Whistleblowing"), among the actions taken to adapt to the legal framework we report the adoption of specific safeguards to protect persons filing reports, with the simultaneous adoption of a Group Policy and a Corporate Procedure.

(external member). At the Board meeting of March 15, 2018, Mr. Cristiano Babbo was replaced, following his resignation, with Alessandro Cencioni of the company Protiviti S.r.l., which was assigned the Internal Audit function. The 231 Supervisory Body's composition did not undergo further changes at the date of this Report.

The 231 Supervisory Body communicates to the Board of Directors, on a half-yearly basis, a written report on the implementation and effective functioning of the Organisational, Management and Control Model.

The Board of Directors also granted the 231 Supervisory Body sufficient financial resources to carry out all required duties. This allocation however may be recalculated according to any necessary increases on the proposal of the 231 Supervisory Body.

The Board of Directors, following an assessment, decided not to assign the duties of the 231 Supervisory Body to the Board of Statutory Auditors, considering it appropriate to maintain two distinct bodies.

11.4 Independent Audit Firm

The company on April 29, 2015 appointed the independent auditors KPMG S.p.A. for the 2015-2023 nine-year period.

11.5 Corporate financial reporting manager and other company roles and functions

In accordance with Article 154-*bis* of the CFA, as amended by Law No. 262 of December 28, 2005 (so-called "Savings Law") and in accordance with Article 26 of the By-Laws, Alessandro Carloni, who holds office as Chief Financial Officer of the company, also held the Corporate Financial Reporting Manager position in the year of reference.

The office was renewed during the Board of Directors' meeting until the Shareholders' Meeting called for the approval of the financial statements at December 31, 2020.

The appointment was made by the Board of Directors, as per Article 26 of the By-Laws and the applicable regulation, following a positive assessment of his professionalism (featuring specific knowledge in terms of administration, finance and control) and also on the basis of his good standing.

The company in addition provides the Corporate Manager with appropriate resources and means for execution of the relative duties.

In particular, in order to fully carry out his duties, the Executive Responsible, among others, may avail of the powers and resources established in the Guidelines drawn up by Confindustria in relation to the role (edition of December 13, 2007).

The Executive Responsible, in the exercise of his institutional role, in application of the above-stated Article 154-*bis* of the CFA:

- has specific duties of control in relation to the legal notices and communications of the Company established by law or announced to the market, containing information and data on the income statement, balance sheet and financial situation of the Company, accompanied by a written declaration of the Chief Executive Officer and the Executive Responsible for the preparation of the Corporate Accounting Documents, who attest to their truthfulness;
- prepare administrative and accounting procedures for the completion of annual financial and consolidated statements, as well as for every other communication of a financial nature;
- declares, together with the executive boards, through a report, attached to annual financial and consolidated statements, the adequacy and the effective application of the administrative and accounting procedures adopted in the year on which the accounts are based, as well as the correspondence of the financial statements with the underlying accounting documents and records.

The Internal Accounting Control System in fact seeks to provide reasonable certainty that the accounting disclosure provides users with a true and fair representation of the operational facts, corresponding to the documented results, books and underlying accounting entries as well as the adequacy and effective

application of the administrative and accounting procedures during the period to which the accounting documents refer.

For details of the principal characteristics of the Risk Management and Internal Control System in relation to the Financial Disclosure process, reference should be made to ATTACHMENT 1 of the present report.

The various company functions collaborate, each with regards to their respective scope, for the identification and management of risks; in particular, the Administration, Finance and Control Department, the Legal and Corporate Affairs Department and the Group Controlling & Investor Relations Director support the bodies tasked with the identification and management of compliance activities.

11.6 Coordination of the parties involved in the internal control and risk management system

The Board of Directors receives and examines on a half-yearly basis the reports prepared by the Control, Risks and Sustainability Committee and examines the significant corporate risks submitted for the attention of the Director in charge of the Internal Control and Risk Management System.

The periodic verification of the adequacy and effective functioning, and any review, form an essential part of the Control and Risk Management System, in order to ensure its full and correct efficacy.

For these purposes the Internal Audit function, in the meetings of the Control, Risks and Sustainability Committee at which the Board of Statutory Auditors and on invitation the Executive Responsible for the Preparation of Corporate Accounting Documents attend, reports on the activities carried out and therefore on the management of risks, on the compliance of the content of the plans, and on the evaluation of the appropriateness of the Internal Control system itself.

12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

The "Procedure for Transactions with Related Parties" ("TRP Procedure"), adopted by the Board of Directors in the meeting of November 11, 2010 and updated latterly on October 28, 2016, is available on the website of the Company <http://corporation.elica.com> in the Corporate Governance section, to which reference should be made.

On October 30, 2018, the Board assessed the necessity to modify the TLP Procedure, taking into account the shareholder structure and the effectiveness demonstrated by the Procedure within the applicative practices. Following this evaluation, the Board did not consider it necessary to make any amendments to the TRP Procedure previously approved.

In the TRP Procedure, the Board established the criteria to identify transactions for which application is required, in order to ensure the transparency and correctness, both materially and procedurally, of transactions with related parties.

Further information on related party transactions carried out by the company in 2018 is contained in the specific note within the Annual Financial Report.

In relation to transactions in which a director has, on his own behalf or on behalf of third parties, an interest, the interested director is called, except for specific circumstances, to abstain from the vote or to leave the meeting at the moment of discussion and resolution. When the transaction is not subject to the prior approval of the Board of Directors but within the powers delegated to the interested director, also through the exercise of a specific proxy, this latter abstains from the carrying out of the transaction and provides in a timely and exhaustive manner information in relation to such to the Board.

In order to identify transactions in which a director may have an interest, also on behalf of third parties, the Company utilises, among others, an electronic database containing information on related parties of directors of the Company.

13. APPOINTMENT OF STATUTORY AUDITORS

In relation to the appointment of statutory auditors, reference is made to the subsequent section "Appointment of the Corporate Boards".

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) AND D-BIS) CFA)

The Company's By-laws provide that the Board of Statutory Auditors consist of three standing auditors and two alternate auditors.

The Board of Statutory Auditors currently in office was appointed, in accordance with the requisites of autonomy and independence of Article 8.C.1. of the Self-Governance Code, by the Shareholders' Meeting of April 27, 2018, and remains in office until the Shareholders' Meeting called to approve the financial statements at December 31, 2020.

In particular, on appointment, a slate was presented by the majority shareholder FAN S.r.l., which proposed the following list of candidates:

STANDING AUDITORS

1. FREZZOTTI GIOVANNI

2. BELLI MASSIMILIANO

3. NICOLINI MONICA

ALTERNATE AUDITORS

1. TIRANTI LEANDRO

2. SPACCAPANICCIA SERENELLA

For further details on the slate, reference is made to the documentation relating to the above-stated Shareholders' Meeting available on the Company's website.

The result of the voting of Shareholders present at the Shareholders' Meeting was as follows:

- VOTES IN FAVOUR: 37,842,937, EQUAL TO 100% OF VOTES.

At TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS attached to the present report, the composition is shown of the Board of Statutory Auditors at December 31, 2018, which has not changed at the preparation date of the present Report.

At the Shareholders' Meeting for the appointment of the new Board of Statutory Auditors, the meeting established the remuneration of the statutory auditors, taking account of the commitment required, the importance of the role, in addition to the size and sector of the company.

Reported below is a brief *curricula vitae* of the members of the Board of Statutory Auditors:

Giovanni Frezzotti: born in Jesi (AN) on 22/02/1944, Chairman of the Board of Statutory Auditors of Elica S.p.A.. He has been a member of the Accountants Association of Ancona since 12/03/1965 at No. 16/A as well as being on the Technical Consultants of the Civil and Criminal Court of Ancona roll. He is a member of the Auditors' Register at No. 25202 with Ministerial Decree 12/04/1995 published in the official gazette No.31 bis of 21/04/1995 – IV Special Series at No. 25202.

He acts as Director of Acbgroup S.p.A., Apell S.p.A., Cav. del. Lav. Igino Pieralisi S.a.p.A. of Igino Pieralisi, Compagnia Sviluppi Industriali ed Immobiliari S.p.A., Egisto Pieralisi S.a.P.A. of Gennaro Pieralisi, Fincrea S.r.l., Renco Foundation, Nini Pieralisi S.A.P.A. of Luigi Pieralisi, Renco Group S.p.A., Renco S.p.A, Safe S.a.p.A. of Cav. del Lav. Igino Pieralisi and Sanmarcodue S.r.l.

He is Chairman of the Board of Statutory Auditors of Antares Private Equity S.p.A., Ceta S.p.A., Co.ge.fin. S.p.A., Fimag S.p.A., Federico II Stupor Mundi Foundation, Frapi S.p.A., Garinvest S.p.A., Garofoli S.p.A., Gilfin S.p.A., Engifin S.p.A., Golden Lady Company S.p.A., Goldenpoint S.p.A., La Castellina S.p.A., Montenegro S.r.l., Pieralisi S.p.A., Pieralisi Maip S.p.A. and SLL Group S.p.A..

He is a statutory auditor on the Board of Statutory Auditors of Bonomelli S.r.l., Enovetro S.p.A., Fineldo S.p.A., Giostyle S.p.A., Lole S.p.A., Pieralisi International S.A. and Pieralisi Northern Europe B.V.

He is the Sole Statutory Auditor of Gi.gar. S.r.l.

Massimiliano Belli: born in Recanati (MC) on 22/08/1972, he is a Statutory Auditor of Elica S.p.A. Enrolled in the Bar Association of Ancona since 24/10/2000, he has been a Supreme Court Attorney since 28/11/2012.

Law Graduate from the LUISS "Guido Carli" University of Rome. Doctorate in Criminal Law and Procedure – University of Macerata.

Visiting Professor at the Specialisation School for Legal Professions - University of Bologna.

Member of the Criminal Chambers Governing Council of Ancona. Member of the Supreme Court of Cassation Research Institute of the Italian Union of Criminal Chambers. Member of the Scientific Committee of the Forensic School of the Bar Association Council of Ancona. Member of the Italian National Tax Association - Marche Section.

Speaker and lecturer in Masters programmes, conferences and seminars; author of publications primarily on corporate criminal law.

Monica Nicolini: born in Pesaro (PU) on 16/04/1963, Statutory Auditor of Elica S.p.A. Enrolled in the Bar Association of Pesaro since 29/10/1993, she has been a Supreme Court Attorney since 2005.

She holds office as Director in the New Cinema International Exhibition Foundation of Pesaro and in the Ermanno Casoli Foundation.

Member of the Marisa Belisario Foundation of Rome.

Leandro Tiranti: born in Sassoferato (AN) on 04/05/1966, Alternate Auditor of Elica S.p.A., he has been enrolled at the Accountants Association of Ancona at No. 321, Section A since 1994; enrolled at the Technical Consultants register of the Court of Ancona; enrolled in the Auditors' Register at No. 72,312 as per Decree of the director general of civil affairs and professions of May 26, 1999, published in the Official Gazette 4a, special series No. 45 of June 8, 1999. He is the Chairman of the Board of Statutory Auditors of V.I.C. S.p.A., Ikonic S.r.l., Ov S.p.A., Tre Pini S.p.a. and F.I.D.E.A. S.p.A.; he is a Statutory Auditor with Fintrack S.p.A., Air Force S.p.A. and Brefiocart S.r.l.; he is a Director of Fastnet S.p.A., Diatech Pharmacogenetics S.r.l. and Kastle S.r.l. and an Alternate Auditor with Nuova Sima S.r.l., Sima S.p.A., Togni S.p.A. and Centro Nazionale Servizi ai Professionisti S.p.A.

Spaccapaniccia Serenella: born in Montegiorgio (AP) on 04/04/1965, Alternate Auditor of Elica S.p.A.. Member of the Accountants Association of Ancona since 12/04/1994 at No. 308, as well as being on the Technical Consultants of the Civil and Criminal Court of Ancona roll since 1/01/1997. Enrolled in the Auditor's Register with Ministerial Decree of 26/05/1999, published in the Official Gazette No. 45 - IV special series of 8/06/1999 at No. 72269.

She is an Alternate Auditor with Moncaro Spa, a standing member of the Board of Statutory Auditors at 8 Non-Profit Entities in the Marche Region; Sole Auditor on the Regional Professional Roll; Director of ODCEC (Accountants Association) of Ancona; Executive Director of the Non-Profit/Tertiary Sector Entities and Equal Opportunities Research Commissions at the ODCEC of Ancona; a Working Group member of the CNDCEC (National Accountants' Committee) on the Tertiary Sector; she is Vice Chairman of the Board of Directors of A.FO.PROF representing the ODCEC of the province of Ancona; member of the Consultation Committee of the Real Estate Market Research Institute at the Provincial Tax Agency of Ancona.

Board of Statutory Auditors activities in 2018 and in 2019 until the date of the present Report

In relation to the activities carried out, the Board of Statutory Auditors in 2018 met thirteen times, respectively on January 23, February 28, March 8, March 15, March 26, March 29, April 19, April 27, June 18, June 22, June 28, September 28 and December 7, 2018.

In 2019, the Board of Statutory Auditors met five times, on February 12, February 14, February 22, March 4 and March 7, 2019.

The activities of the Board of Statutory Auditors concerns, among others, in accordance with point 3.C.5. of the Self-Governance Code, the verification of the criteria and procedures adopted by the Board to evaluate the independence of its members. In the course of the above-stated verifications, the Board of Statutory Auditors did not record anomalies, as per the minutes drawn up of March 15, 2018, April 27, 2018 and March 7, 2019.

The Board of Statutory Auditors positively established the independence of its members in conformity with Article 8.C.1. of the Self-Governance Code in the meeting of March 15, 2018, April 27, 2018 and March 4, 2019.

On March 15, 2018, August 2, 2018 and March 7, 2019 the Board of Directors noted the self-assessment by the Board of Statutory Auditors of the independence of its members, as per Article 8.C.1. of the Self-Governance Code of listed companies. The self-assessment established: the appropriateness of the number of Board of Statutory Auditor members and its adequate composition in terms of professional profiles, expertise, standing and gender parity. It was also established that the members of the Board of Statutory Auditors can assign the time necessary to properly execute their office and have adequate resources for such. The number of positions held was lower than the maximum permitted by the applicable regulation.

The Board of Statutory Auditors finally established through the assessment made that the previously planned activities had been successfully executed until the date of this report.

The company announced the outcome of this communication to the market.

The Board has constantly monitored the independence of the Independent Audit Firm in carrying out its duties, verifying compliance with law and monitoring the other activities carried out apart from accounting control.

The Board of Statutory Auditors, in carrying out its duties, coordinated its activities with the Internal Audit department and the Control, Risks and Sustainability Committee through the exchange of information relating to their respective activities and through participation in the Control, Risks and Sustainability Committee meetings during the year. Therefore, the Board of Statutory Auditors attends also the meetings of the Appointments and Remuneration Committee.

The Board of Statutory Auditors notes that the company, having complied with the Self-Governance Code of Borsa Italiana S.p.A., provides that where a statutory auditor, on his/her own behalf or that of third parties, has an interest in a determined transaction of the Company, he/she must inform the other statutory auditors and the chairman of the Board, in a timely and comprehensive manner, regarding the nature, terms, origin and extent of his/her interest. In accordance with the Consob Regulation concerning transactions with "related parties" the members of the Board of Statutory Auditors drew up a document for the identification of related parties in accordance with Article 4, paragraph 4 of Consob Regulation, adopted with resolution No. 17221 of March 12, 2010 and No. 17389 of June 23, 2010.

The members of the Board of Statutory Auditors have adequate experience and knowledge of the sector in which the Company operates; however, in order to improve such knowledge, and of the corporate activities and performance, in addition to the regulatory framework, the Board of Statutory Auditors attends the meetings of the Board and of the Committees, in addition to, during its mandate, ad hoc meetings. In 2018, the Auditors, together with members of the Board of Directors, visited the company on several occasions.

The remuneration of the Statutory Auditors, as approved by the appointing Shareholders' Meeting, is proportional to the commitment required, in addition to the size and sector of the company.

Diversity criteria and policies

In accordance with Legislative Decree 254/2016 concerning the communication of non-financial disclosure, the Company has adopted a "Diversity Policy" setting out the diversity criteria generally adopted by Elica with regards to the composition of the Corporate Boards, including: age, gender, training and professional development. The criteria set out in the policy take account of the provisions of the Self-Governance Code of Borsa Italiana S.p.A., with which the company complies and are utilised by the Board of Directors for the renewal of the Corporate Boards.

In implementing this policy, approved by the Board, on the proposal of the Appointments and Remuneration Policy, the Company seeks to maintain on the management and control boards a range of professional profiles and experience in order to understand as best as possible the complexity of the international markets, the financial objectives of the Company, in addition to the impact of activities carried out on the interests of the various stakeholders. In particular, in appointing the Control Board, the Company seeks to ensure diversity in terms of age, gender and training and professional background.

In order to ensure that the interested parties are provided with the information concerning the criteria and diversity objectives pursued, in the Board of Directors report to the Shareholders' Meeting, of April 27, 2018, for the renewal of the Board of Statutory Auditors, to which reference is made, the Board of Directors states its wish to see diversity on the Board of Statutory Auditors in terms of age, gender and training and professional background.

During the Board of Supervisory Auditors' renewal, the slate composition submitted by the majority shareholder FAN S.r.l., took account of the diversity criteria issued by the Board in so far as it included candidates of different gender on a one to three ratio for statutory auditors and a one to two ratio for alternate auditors; it also included different profiles by professional experience and age.

15. RELATIONS WITH SHAREHOLDERS, WITH BORSA ITALIANA AND WITH THE COMPETENT AUTHORITY

In conformity with Article 9.C.1. of the Self-Governance Code, the Board of Directors, in the meeting of March 15, 2018 appointed Giulio Coccia (Group Controlling & Investor Relations Director) as Investor Relations Manager; this office was previously held by Laura Giovanetti²¹. The Investor Relations Manager is assigned the duties of (i) fostering the Company relationships with the financial community; (ii) enabling continuous dialogue between the company and the stakeholders and in particular the investors and shareholders; (iii) communicating to investors and the market the performance of the business and (iv) carrying out the operations and the duties relating to the Insider Register of the Company, in conformity with the "Regulation for the treatment of corporate information and the constitution of the Insider Register".

In addition, in order to guarantee a more efficient flow of information with the relevant authorities and the market, the Board of Directors of the Company considered it proper that the Information Officer coincides with the role of the Investor Relations Manager and at the same meeting of March 15, 2018, conferred Giulio Coccia the appointment of Information Officer responsible for the relations with Borsa Italiana and Consob.²²

The role of deputy information officer continues to be held by Francesca Pisani, Legal & Corporate Affairs Supervisor of the Company, in office since November 11, 2010.

All of the documents relating to the Corporate Governance and the other information relating to the Company, which have significance for shareholders, may be consulted on the website <https://elica.com/corporation>.

Internal Dealing rules

The Company has adopted Internal Dealing conduct rules, updating them in accordance with the compliance required by EU Regulation No. 596/2014 and the relative enacting regulations, most recently on March 7, 2019. The Regulation, promptly brought to the attention of the interested parties, was published on the website <https://elica.com/corporation> (Corporate Governance section).

16. SHAREHOLDERS' MEETINGS

The By-Laws of the Company do not provide for a method of functioning other than those as prescribed by law and regulations.²³

Normally, all of the directors attend the Shareholders' Meetings. Four Directors out of the eight attended the April 27, 2018 Shareholders' Meeting; the Chairman of the Appointments and Remuneration Committee was available to provide clarifications on the content of Sections 8 and 9 of the present Report, in addition to the content of the Remuneration Report, including, among other issues, a description of the duties carried out by the stated Committee.

All of the matters on the Agenda of the Shareholders' Meeting were reported upon in the Directors' Report to the Shareholders' Meeting or in the documents filed, available to the Shareholders and published on the company website.

²¹ In office since September 27, 2007.

²² The function was previously covered by Laura Giovanetti, appointed in September 2007 to replace Vincenzo Maragliano.

²³ The Shareholders' Meeting assigned the Board the duties as per Article 19.2 of the By-laws, in accordance with the Article 2365 of the Civil Code.

All those who have sent the company the communication provided by the intermediary appointed by the end of the third market day preceding the date fixed for the Shareholders' Meeting in first call or in single call, have the right to attend the shareholders' meeting, or within a different time period established by existing regulations, as long as the communications are sent to the Company within the above-stated time periods, provided by the beginning of the business of the shareholders' meeting.

Every shareholder may be represented by a third party conferring upon him proxy in accordance with law, the By-Laws and the Shareholders' Meeting regulation.

The notification through electronic means of proxy to the Company by those with the right to vote may take place through sending an e-mail to the address indicated in the call notice.

The Shareholders' Meeting of the Company on April 12, 2006 approved the Shareholders' Meeting Regulation, proposed by the Board of Directors in accordance with article 9.C.3. of the Self-Governance Code, subsequently amended by the Shareholders' Meeting of April 28, 2011 in order to guarantee the proper carrying out of the shareholders' meetings as well as the rights of each shareholder to contribute to discussions on the matters on the agenda. The Regulation is published on the Company website <https://elica.com/corporation>, in the Corporate Governance section.

With particular regard to the means by which each shareholder may take the floor on the matters under discussion, the stated Shareholders' Meeting regulation provides that the Chairman, taking account of the subject and the importance of the individual matters on the Agenda, in addition to the number of requests for interventions, pre-establishes the duration of such interventions, usually as not less than 3 (three) minutes and not greater than 5 (five) minutes for each contribution. Those with the right to intervene, may do so upon each matter on the Agenda only once, except, at the discretion of the Chairman, in the case of a reply or a voting declaration.

The Board reported on the activities carried out and programmed in the Shareholders' Meetings and endeavored to ensure shareholders have adequate information regarding the necessary elements so that they could take, in a knowledgeable manner, the decisions within the authority of a Shareholders' Meeting.

In relation to the market capitalisation, the share price at January 2, 2018 was Euro 2.44 and at December 29, 2018 was Euro 1.30; the minimum price in 2018 was Euro 1.25, the maximum price in 2018 was Euro 2.59 and the average price was Euro 2.14. The Board of Directors, in the meetings of February 12, 2018 and February 12, 2019, noting the share price in the periods preceding the respective meetings, decided not to propose to the Shareholders' Meeting changes to the By-laws in relation to the percentages established for the exercise of the shares and of the protection of minority shareholders.

Appointment of the Corporate Boards

According to the provisions of the current By-Laws, the appointment of the Board of Directors and the Board of Statutory Auditors is carried out through the voting of slates, in accordance respectively with articles 16 and 24 of the by-law. These articles were amended at the Shareholders' Meeting of April 24, 2013 in order to provide for a mechanism which ensures gender balance in accordance with current legislation.²⁴

Only shareholders who individually or collectively hold at least 2.5%²⁵ of the share capital have the right to present slates or a differing minimum percentage provided for or allowed by regulations.

²⁴ For further information on the amendments to the By-laws, reference should be to the Directors' Report to the Shareholders' Meeting called for April 24, 2013, in relation to the By-law amendments, available on the Company website.

²⁵ The percentage indicated coincides with the percentage holding established by Consob in accordance with Article 144-quater of the Issuers' Regulation.

For the inclusion of the Directors to be elected, consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of the slates. All those entitled to vote shall vote for only one slate.

Directors must have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives.

Statutory Auditors must also have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives. In particular, in relation to the professionalism requirement covered by article 1 of Justice Ministerial Decree of March 30, 2000, No. 162, the following fields are deemed to be closely related to the company's activities: that relating to commercial or tax law, the economy and corporate finance, the manufacturing and design sector, as well as the activities listed in Article 2 of the By-laws, to which reference should be made.

Except in the situation of ineligibility established by law, no person who covers offices of statutory auditor in five or more other companies listed on regulated markets may fulfil the role of statutory auditor and if nominated must vacate the office, with exclusion of the subsidiary companies as well as the parent companies and the companies controlled by such, or anyone who covers offices of direction and control in a number higher than that provided by law and the regulations in force.

The presentation of slates for the appointment of the Board of Directors will occur in the manner established by, and in compliance with, Article 16 of the By-laws, to which reference should be made.

The presentation of slates for the appointment of the Board of Statutory Auditors will occur in the manner established by, and in compliance with, Article 24 of the By-laws, to which reference should be made.

In relation to the appointment of the Board of Statutory Auditors, in the case in which twenty-five days prior to the Shareholders' Meeting only one slate is presented, or only slates related to it are presented, in accordance with Article 144 *sexies*, paragraph five of the Issuers' Regulations, slates may be presented up until the third subsequent day to this date or any other date stipulated by the applicable regulation. In this case, the percentage threshold established for the presentation of the slate is reduced by half (1.25% of the share capital).

The slates presented that do not comply in full with the By-laws shall be considered as not presented.

The Company assures that the shareholders are provided adequate information on the profile of the candidates for the offices of director and statutory auditor in the manner set out in the above stated articles to which reference is made.

With reference to the method of election of the Board of Directors through the "voting of slates", the By-Laws provide that:

- a) from the slate which obtained the highest number of votes (hereafter the "Majority Slate") all of the members of the Board of Directors are elected except one, as established by the Shareholders' Meeting, according to the progressive order of the slate;
- b) from the slate which obtained the second highest number of votes (hereafter the "Minority Slate"), which is not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, the first candidate listed is elected to the Board of Directors.

If, with the candidates elected through the manners stated above, an adequate number of independent directors is not elected, however not lower than the amount provided by law, or if the gender balance provisions have not been complied with (including the rounding upwards of the number of members of the Board of Directors in the case of the application of the gender balance quotas not resulting in a full number), the non-independent candidate of the most represented gender elected last on the progressive numbering of the Majority Slate will be replaced by the first independent candidate of the other gender, according to the respective progressive numbering, not elected on the same Majority Slate.

In the case in which the Majority Slate no longer presents non-elected candidates with the necessary requirements or in the case in which the Majority Slate does not contain a sufficient number of candidates to form the Board in accordance with that established by the Shareholders' Meeting, the meeting proceeds with their replacement/supplementation by statutory majority.

The candidate listed in first position on the Majority Slate is elected as Chairman of Board of Directors. Should two or more slates receive the same number of votes, a second vote of the Shareholders' Meeting is taken, with only those tied taking part.

In the case in which only one slate is presented or voted upon, or where only one slate has received at least half of the required votes for presentation, all Directors will be elected from the slate, in compliance with the provisions concerning the composition of the Board of Directors.

Where no slate is presented, the Shareholders' Meeting votes by statutory majority, without following with the above stated procedure, however in such a manner that the applicable regulations concerning the composition of the Board of Directors are complied with.

In relation to the appointment of the Board of Statutory Auditors, considering also compliance with the applicable regulations concerning gender equality (including rounding up where necessary in relation to the underrepresented gender), the following is applied:

1) from the slate which obtained the highest number of votes in the shareholders' meeting (hereafter the "Majority Slate"), based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;

2) from the slate which obtained the second highest number of votes (hereafter the "Minority Slate") and which, in accordance with current regulations, was presented and voted upon by shareholders who are not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, based on the progressive order listed on the slate, one statutory auditor and one alternate auditor is elected.

The Chairman of the Board of Statutory Auditors shall be the first candidate on the Minority Slate.

In the case of a tie in the number of votes between two or more slates, the eldest candidates shall be deemed elected.

If voting does not result in compliance with the applicable legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the underrepresented gender), the elected Statutory Auditor candidate appearing last on the Majority Slate of the overrepresented gender is excluded and will be replaced by the next candidate from the same slate belonging to the other gender.

In the case in which the Majority Slate no longer presents non-elected candidates with the necessary requirements, or in the case in which the Majority Slate does not contain a sufficient number of candidates to form the Board of Statutory Auditors, the Shareholders' Meeting proceeds with their replacement/supplementation by statutory majority.

In the case of the replacement of a Statutory Auditor, the alternate auditor from the same slate joins the Board, on condition that the applicable legal and regulatory provisions are complied with.

The previous provisions in relation to the election of statutory auditors are not applied to Shareholders' Meeting for which only one slate is presented or voted upon or in the shareholders' meetings which provides in accordance with law for the appointment of statutory auditors and/or alternate auditors necessary to complete the Board of Statutory Auditors following replacement or resignation. In this case, the Shareholders' Meeting votes by majority.

The By-laws are available on the website <http://corporation.elica.com>, Corporate Governance section, that of Borsa Italiana S.p.A. and at the registered office.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)

With regards to additional corporate governance practices applied, the company set up a committee structure in order to improve the efficacy of disclosure and decision-making processes and assign greater responsibility to managers and collaborators according to the accountability principle.

On at least a monthly basis, the CEO chairs plenary meetings (Business Decision Week or B.d.W) of a variable duration of between two and three working days, with the directly reporting managers and the general managers of the main subsidiaries, who have dedicated slots to present the issues within their respective scopes. In accordance with the principle of accountability of the entire organisation, other managers and middle managers are involved with regards to specific issues. The main functions of the B.d.W are:

- make both tactical and strategic decisions concerning business and operating matters according to the decision-making powers assigned to the Committee;
- discuss any critical issues and problems arising related to the business or operations, setting out appropriate corrective actions/action plans;

- update Elica S.p.A. management on the state of the business and on Group financials;
- update Elica S.p.A. management on the state of the main operations, projects in progress and upcoming initiatives within the Company functions;
- submit for the approval of the CEO any ad hoc projects or other specific initiatives;
- discuss and analyse initiatives and projects to be proposed to the Board of Directors or to other corporate boards.

In addition, in order to optimise the governance of a number of important company processes, Elica set up a new “Management Operating System (M.O.S.)” based on “tiered meetings”. The tiered meetings govern information flows and establish independent decision-making power for each operating meeting regarding a process. All actors involved participate at one or more “tiered meetings” concerning a specific process. The tiered meetings are connected on the basis of an escalation approach. The tiered meeting approach has increased the level of responsibility taking and accountability, particularly at middle management level, which now has defined independent decision-making powers, particularly within specific processes such as those regarding product development.

The company in addition continues to hold periodic function staff meetings, on a weekly or bi-weekly basis, organised by the individual Vice Presidents and managers with those directly reporting to them to further improve the top down and bottom up information flows.

Reference should be made in addition to previous sections of this report. In particular, sections “11.3 Organisational Model as per Legislative Decree 231/2001” and “11.6 Coordination of the parties involved in the internal control and risk management system”.

18. CHANGES SUBSEQUENT TO THE YEAR-END.

The text of the present report was supplemented, in the individual paragraphs, with the information concerning the changes between December 31, 2018 and March 7, 2019, date of its approval.

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

During the board meetings of February 12, 2019 and March 7, 2019, the Board of Directors of the Company took note of and assessed the letter of the Chairman of the Corporate Governance Committee dated December 21, 2018.

As regards board disclosure, the Board reports that the assessment will be included in the board evaluation and in any case carried out during board meetings through ongoing discussion to identify the best method to manage information flows between management and the Board.

With reference to independence criteria, the Board, in the process of carrying out the assessments, took account of the Self-Governance Code's criteria, and did not come across their non-application.

With regard to the methods for undertaking the board review, the Appointments and Remuneration Committee has already been duly entrusted with the task of defining and proposing the procedures and the timelines for the annual assessment of the Board of Directors; The Appointments and Remuneration Committee oversees the board review process through its Chairman.

With reference to the remuneration policy approved on February 12, 2019, the Board recently considered the adopted remuneration policies to be suitable with respect to the company's sustainability objective. With regard to the Corporate Governance Committee's recommendation to strengthen the link of variable remuneration to parameters tied to long-term objectives and to limit the possibility of disbursing sums not linked to pre-set parameters to individual exceptional cases, after

sufficient explanation, the Board confirms taking account of the parameters indicated in determining executive directors' variable remuneration.

Elica S.p.A.
The Chairman of the Board of Directors

TABLE 1 – INFORMATION ON THE SHARE CAPITAL
Share Capital structure

	NO. OF SHARES	% SHARE CAPITAL	LISTED/NON-LISTED	RIGHTS & OBLIGATIONS
Ordinary shares	63,322,800	100%	Listed on the MTA Star	Voting rights at the Ordinary and Extraordinary Shareholders' Meeting, right to a dividend and repayment of capital in the case of liquidation
Shares with limited voting rights				
Of which Treasury Shares with no voting rights	1,275,498	2.014%		Treasury Shares

Significant holdings

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital	NOTE
CASOLI FRANCESCO	FAN S.r.l.	52.809%	52.809%	*
CASOLI FRANCESCO	CASOLI FRANCESCO	0.252%	0.252%	*
WHIRLPOOL CORPORATION	Whirlpool EMEA S.p.A.	12.568%	12.568%	*

*Data updated on the basis of declarations presented to Consob and Internal Dealing declarations.

TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES
Board of Directors

Name	Place and date of birth	Office	In office from²⁶	No. other offices (i)	Exec.	Ind. Cod. / Ind. CFA
Francesco Casoli	Senigallia (AN) 05/06/1961	Chairman of the Board of Directors	April 27, 2018	-	yes	no
Recinella Antonio	Livorno 05/11/1968	Chief Executive Officer	April 27, 2018	-	yes	no
Catania Elio	Catania	Director	April 27, 2018	-	no	yes/yes
Cosimo (iii) (iv)	05/06/1946					
Croff Davide (iii) (iv)	Venice 01/10/1947	Director	April 27, 2018	3(*)	no	yes/yes
Pieralisi	Monsano (AN)	Director	April 27, 2018	1	no	no
Gennaro	14/02/1938					
Poggiali	Milan	Director	April 27, 2018	3	no	yes/yes
Barbara (iv)	04/03/1963					
Cristina Finocchi	Trieste	Director	April 27, 2018	4	no	yes/yes
Mahne (iii)	01/07/1965					
Federica De Medici (ii)	Pavia 24/08/1972	Director	April 27, 2018	-	no	yes/yes

(i) *No. of offices held in listed companies, including abroad, in financial, banking and insurance companies or of significant size. Those positions held in financial companies not registered on the list, as per Article 106 of Legislative Decree 385/93 – Banking Act, are excluded. For further information, reference should be made to the list at the section “Maximum number of offices held in other companies” and curricula of the directors.*

(ii) *Lead Independent Director.*

(iii) *Control, Risks and Sustainability Committee (CRSC)*

(iv) *Appointments and Remuneration Committee*

(*) *besides to Genextra S.p.A.*

²⁶ The figures refer to the most recent appointment. For years of service, reference should be made to the Directors CV's.

Attendance of the Directors at Board meetings and at the Committees between 1/1/2018 to 31/12/2018

Office	Name	B.o.D.	C.R.S.C.		A.R.C	
		-1	members	-2	members	-3
Chairperson	Francesco Casoli	7/7				
Chief Executive Officer	Antonio Recinella	7/7				
Director	Gennaro Pieralisi	6/7				
Director	Catania Elio Cosimo	7/7	X	3/4	X	4/4
Director	Croff Davide	4/7	X	4/4	X	4/4
Director	Poggiali Barbara	5/5	X		X	2/2
Director	Cristina Finocchi Mahne	4/5	X	2/2		
Director	De Medici Federica	5/5	X			
DIRECTORS RESIGNING DURING THE YEAR						
Director (4)	Cristina Scocchia	1/1	X	1/1	X	1/1
Director (5)	Vita Enrico	2/2	X	1/2	X	1/2
Director (5)	Da Ros Katia	2/2				

(1). This column indicates the attendance of the director at the BoD Meetings: no. meetings attended/no. meetings could have attended.

(2). This column indicates the attendance of the director at the Internal Control and Risk Management Committee Meetings: no. meetings attended/no. meetings could have attended.

(3). This column indicates the attendance of the director at the Appointments and Remuneration Committee Meetings: no. meetings attended/no. meetings could have attended.

(4). In office from January 1, 2018 to March 12, 2018.

(5). In office from January 1, 2018 to April 27, 2018.

TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors

<i>Office</i>	<i>Members</i>	<i>Date of birth</i>	<i>Date of first appointment</i>	<i>In office from</i>	<i>In office until</i>	<i>Slate</i>	<i>Ind. Code</i>	<i>Attendance at Board meetings</i>	<i>No. other offices</i>
Chairman	FREZZOTTI GIOVANNI	1944	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	6/6	8
Statutory Auditor	BELLI MASSIMILIANO	1972	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	6/6	0
Statutory Auditor	NICOLINI MONICA	1963	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	6/6	0
Alternate Auditor	TIRANTI LEANDRO	1966	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	0/6	0
Alternate Auditor	SPACCAPANICCI A SERENELLA	1965	27/04/2018	27/04/2018	Approval 2020 FS	M	YES	0/6	0

Number of meetings held in the year: 6

Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 148 CFA): 2.5% of share capital.

STATUTORY AUDITORS RESIGNING DURING THE YEAR

Office	Members	Date of birth	Date of first appointment	In office from	In office until	Slate	Ind. Code	Attendance at Board meetings	No. other
Chairman	CASALI GILBERTO	1954	28/08/2008	29/04/2015	Approval 2017 FS	M	YES	7/7	0
Statutory Auditor	BORIONI FRANCO	1945	29/04/2015	29/04/2015	Approval 2017 FS	M	YES	7/7	0
Statutory Auditor	ROMAGNOLI SIMONA	1971	29/04/2015	29/04/2015	Approval 2017 FS	M	YES	7/7	1

ANNEX 1

Description of the principal characteristics of the risk management and internal control system in relation to financial disclosure

Introduction

Within the general process for the recording and analysis of Group risk areas, undertaken to structure an internal control system which allows for the best possible governance of company risks, a particular focus is placed on the internal control system on the financial disclosure process, which is not considered a separate component, but rather an integral part of Elica's overall internal control system. The above accounting-administrative control model comprises a set of procedures and internal instruments adopted to enable the reaching of the assurance, accuracy, reliability and timeliness of financial reporting objectives.

Employing a single and integrated approach the Company therefore considered it correct to base the guidelines for the design, implementation and maintenance of the Internal Control System on the best international practices, which currently stem from the study conducted by the Committee of Sponsoring Organizations of the Threadway Commission (CoSO Report). In addition to this, the development and implementation of the control procedures were conducted taking account of the Control Objectives for IT and related technology (COBIT Framework) and the Self-Governance Code of the Committee for Corporate Governance of Borsa Italiana SpA, of the Confindustria "Guidelines", of the "Ethics Code" and further regulations and rules in force, as well as national and international standards and guidelines concerning Internal Control Systems in general, and specifically concerning Financial Disclosure Control Systems.

With specific regard to the administrative-accounting processes, the Internal Control System, as described above, supports the basis of the declaration which the Executive Responsible for the Preparation of the Corporate Accounting Documents must issue in accordance with Article 154-bis of Legislative Decree 58/98.

The structuring and organisation of administrative-accounting processes, in continuous development, is focused on achieving maximum synergy between achieving the compliance objectives and the optimisation objectives, through actions focused on formalising the processes and their efficiency, the identification and the evaluation of risks and the design of mitigating controls according to a structured methodology, with an overall view to achieving maturation of the entire System, extendable to the Group in the medium term.

Phases of risk management and internal control in place in relation to Financial Disclosure

The System of Financial Disclosure Control of Elica is based on the phases described below:

i) Identification of financial disclosure risks

This activity concerns the definition of the Group companies and of the processes of the individual companies by which they evaluate the risks and administrative-accounting controls, adopting both quantitative parameters, defined according to the impact they have on the principal financial statement accounts, in addition to qualitative parameters. The scope analysis is periodically carried out by the Company to identify the need to make amendments or supplements.

ii) Assessment of risks and identification of controls

The administrative-accounting processes, identified as above, are documented through utilising structured instruments to improve operations, allowing analysis and maintenance and an exhaustive description of the risks and the controls in place.

The approach adopted takes into consideration the possible risk of failing to correctly represent operating events in the financial disclosure, designing and monitoring controls to guarantee the coverage of these risks, in addition to the coordinating with the control mechanisms implemented for other components of the overall internal control system. In particular, the administrative-accounting processes include risks related to the non-achievement of the control objectives to ensure true and correct financial disclosure and to minimise the probability and impact of any occurrence. These objectives concern the financial statement affirmations (typically: existence and occurrence, completeness, rights and obligations, valuation and recording, presentation and disclosure) and other elements concerning the internal control environment of the organisation (such as, for example, compliance with authorisation limits, segregation of duties, controls on the physical security and the existence of assets, documentation and traceability of operations). The risk analysis related to financial disclosure, developed according to the guidelines and the scope defined by the Executive Officer, provides for periodic updating in order to identify the principal amendments made to the administrative-accounting processes with the natural development of the business and the organisation.

iii) Evaluation of the control of identified risks

On the basis of the results of the recording and assessment of financial disclosure process risks at an inherent level (i.e. independently of the existence of controls upon occurrence), the Company defines the structure and the means for execution of administrative-accounting controls considered adequate to guarantee the containment and mitigation of residual risks to an acceptable level.

The system of controls drawn up to guarantee their containment is subject to periodic monitoring in order to ensure that the risk coverage needs defined by the internal control system and the relative control structure are adequate, and also consistent following any changes to the business, the organisation or Group processes. A systematic verification on the effectiveness of the administrative-accounting controls is also set out, with specific tests in place to ascertain the correct execution by company functions of the established controls, in addition to the implementation of corrective measures.

Roles and Functions involved

The Risk and Control Management System, in relation to the Financial Disclosure of Elica is overseen by the Executive Responsible who draws up adequate administrative and accounting procedures for the preparation of the parent company and consolidated financial statements, in addition to all communications of a financial nature.

The Executive Responsible declares upon the adequacy and the effective application of these procedures with regard to the half-year and annual financial statements, both for the parent company and for the group.

In carrying out the duties assigned by the Board of Directors, the Executive Responsible:

- is supported by the corporate boards of the subsidiary legal entities which, on the occasion of the half-year and annual financial statements, declare the completeness and accuracy of the financial information provided by them;
- establishes a relationship of complete sharing and transparency with the Internal Control, Risks and Sustainability Committee and the Board of Statutory Auditors sharing, at least half-yearly, the evaluations on the activities carried out and the actions to be undertaken.