



# **REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE**

In compliance with art. 123-(2) TUF

Interpump Group S.p.A.  
Website: [www.interpumpgroup.it](http://www.interpumpgroup.it)  
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# CONTENTS

|  | Page |
|--|------|
| GLOSSARY .....   | 4    |
| 1. ISSUER'S PROFILE .....  | 5    |
| 2. INFORMATION on the OWNERSHIP STRUCTURE (ex art. 123 (2), subsection 1, TUF) .....                               | 5    |
| a. Structure of share capital .....  | 5    |
| b. Restrictions on the transfer of securities .....  | 5    |
| c. Significant interests held in share capital .....   | 6    |
| d. Securities that carry special rights .....  | 6    |
| e. Employee equity interests: mechanism for the exercise of voting rights .....                                    | 6    |
| f. Restrictions on voting rights .....   | 6    |
| g. Shareholder Agreements .....  | 6    |
| h. Change of control clauses and statutory provisions concerning takeover bids .....                               | 6    |
| i. Mandates to increase share capital and authorizations to purchase treasury stock .....                          | 7    |
| l. Management and coordination activities .....  | 8    |
| 3. COMPLIANCE .....  | 8    |
| 4. BOARD OF DIRECTORS .....  | 8    |
| 4.1 APPOINTMENTS AND REPLACEMENTS .....  | 8    |
| 4.2 COMPOSITION .....  | 12   |
| 4.3 ROLE OF THE BOARD OF DIRECTORS .....   | 16   |
| 4.4 DELEGATED BODIES .....   | 17   |
| 4.5 OTHER EXECUTIVE DIRECTORS .....  | 18   |
| 4.6 INDEPENDENT DIRECTORS .....  | 19   |
| 4.7 LEAD INDEPENDENT DIRECTOR .....  | 19   |
| 5. PROCESSING OF COMPANY INFORMATION .....   | 20   |
| 6. BOARD INTERNAL COMMITTEES .....   | 20   |
| 7. APPOINTMENTS COMMITTEE .....  | 20   |
| 8. REMUNERATION COMMITTEE .....  | 21   |
| 9. DIRECTORS' REMUNERATION .....   | 22   |
| 10. CONTROL AND RISKS COMMITTEE .....  | 22   |
| 11. INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM .....   | 25   |
| 11.1 DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL<br>AND RISK MANAGEMENT SYSTEM .....                             | 27   |
| 11.2 MANAGER OF THE INTERNAL AUDIT FUNCTION .....  | 28   |
| 11.3 ORGANIZATIONAL MODEL, pursuant to Decree 231/2001 .....   | 29   |
| 11.4 INDEPENDENT AUDITORS .....  | 30   |
| 11.5 MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS<br>AND OTHER COMPANY ROLES AND FUNCTIONS ..... | 30   |
| 11.6 COORDINATION AMONG PARTIES INVOLVED IN THE INTERNAL CONTROL<br>AND RISK MANAGEMENT SYSTEM .....               | 31   |
| 12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES .....   | 31   |
| 13. APPOINTMENT OF STATUTORY AUDITORS .....  | 32   |
| 14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS .....   | 34   |
| 15. RELATIONS WITH SHAREHOLDERS .....  | 35   |
| 16. SHAREHOLDERS' MEETINGS .....   | 36   |
| 17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES .....  | 37   |

**18. CHANGES AFTER THE CLOSE OF THE REFERENCE PERIOD .....37**

**TABLES .....38**

Table 1: Information on the ownership structure .....39

Table 2: Structure of the Board of Directors and its committees .....40

Table 3: Structure of the Board of Statutory Auditors .....42

**ANNEXES .....43**

Annex 1: Heading on the "Main characteristics of the internal control and risk management systems existing in relation to the financial reporting process" pursuant to art. 123-(2), subsection 2 letter B) TUF..... 44

Annex 2: Shareholders' Meeting regulations .....45

## GLOSSARY

**Code/Corporate Governance Code:** the Code of Corporate Governance of listed companies approved in July 2015 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

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

**Board:** The Issuer's Board of Directors.

**Issuer:** Interpump Group S.p.A.

**Year:** 2015.

**Consob Issuers' Regulation:** the Regulation published by CONSOB with resolution no. 11971 of 1999 (as amended) governing the issuing of listed securities.

**Consob Markets Regulation:** the Regulation published by CONSOB with resolution no. 16191 of 2007 (as amended) on markets.

**Consob Regulation on Related Party Transactions:** the Regulation published by CONSOB with resolution no. 17221 of 12 March 2010 (as amended) governing transactions with related parties.

**Report:** the report on corporate governance and the ownership structure that companies are required to prepare in compliance with art. 123-(2) TUF.

**TUF:** Italian legislative decree no. 58 of 24 February 1998 (Consolidated Finance Act).

## **1. ISSUERS' PROFILE**

The expression Corporate Governance denotes the set of rules and procedures that constitutes the management and control system of limited companies. The importance of Corporate Governance has increased significantly in recent years due to the development of stock markets and the increasingly sharp focus directed at rules governing relations between shareholders and directors. For this purpose, it is necessary to establish the roles of management and execution of business strategies in an unequivocal manner, identifying the relative powers and responsibilities and the forms of control and disclosure of the activities performed.

In the framework of initiatives designed to maximize value for shareholders and assure the utmost transparency of the actions of company management, Interpump Group has defined an articulated and coherent system of rules of conduct concerning both its own organizational structure and relations with stakeholders, in particular with its shareholders, such rules being in compliance with the highest standards of Corporate Governance.

We remind you that Interpump Group has been listed on the STAR segment of the Italian Stock Exchange since the high standard mid-capital index was launched on 1 April 2001, reflecting its compliance with the related transparency and Corporate Governance requirements.

Pursuant to the Bylaws, Interpump Group S.p.A. has adopted a traditional form of administration and control; accordingly, the business is managed by a Board of Directors and supervisory functions are carried by the Board of Statutory Auditors, while the legal audit of the accounts and the required accounting checks are performed by the independent auditors.

The system of corporate governance adopted by Interpump Group S.p.A. is founded on a series of rules based on the Code of Corporate Governance.

This Report describes the system of corporate governance adopted by the Group and provides information on the ownership structure, as required by current regulations. This Report, sent to Borsa Italiana on the established basis and timing, is available on the website of Interpump Group S.p.A. ([www.interpumpgroup.it](http://www.interpumpgroup.it), in the Governance section, Reports on corporate governance).

## **2. INFORMATION on the OWNERSHIP STRUCTURE (ex art. 123-(2) subsection 1, TUF)**

**At 31/12/2015**

### **a) Structure of share capital (ex art. 123-(2), subsection 1 letter a) TUF)**

The issued and fully-paid share capital totals Euro 56,617,232.88. Share capital comprises solely ordinary shares having all the rights and obligations specified by law. The ordinary shares, which are registered, endow voting rights in the company's ordinary and extraordinary shareholders' meetings in compliance with the articles of law and the Bylaws, and assign the administrative and capital entitlements awarded by the law for shares with voting rights.

The stock option plans do not involve capital increases but rather the use of treasury stock or, with regard to the "Interpump Incentive Plan 2010/2012" and the "Interpump Incentive Plan 2013/2015", at the discretion of the Board of Directors, the payment of a differential equivalent to the possible increase in the market value of the company's ordinary shares (consult the Board of Directors' Report submitted with the annual Financial Report at 31 December 2015 and the Remuneration Policy prepared in compliance with art. 84-(4) of the Issuers' Code).

### **b) Restrictions on the transfer of securities (ex art. 123-(2), subsection 1 letter b) TUF)**

There are no restrictions on the transfer of securities.

**c) Significant interests held in share capital (ex art. 123-(2), subsection 1 letter c) TUF)**

From the entries in the shareholders register, from the notifications received in compliance with the law, and from the other information available at today's date, it emerges that the shareholders who hold stakes in excess of 2% of the voting capital are as shown in the attached Table 1.

**d) Securities that carry special rights (ex art. 123-(2), subsection 1 letter d) TUF)**

No securities have been issued that carry special controlling rights.

**e) Employee equity interests (ex art. 123-(2), subsection 1 letter e) TUF)**

There is no system for equity ownership by employees.

**f) Restrictions on voting rights (ex art. 123-(2), subsection 1 letter f) TUF)**

There are no restrictions on voting rights.

**g) Shareholder Agreements (ex art. 123-(2), subsection 1 letter g) TUF)**

The shareholder agreement signed on 7 May 2014 has expired at the end of its natural duration. This agreement, signed by MAIS S.p.A., Fulvio Montipò, Laura Montipò, Leila Montipò and Tamburi Investment & Partners S.p.A., amended, supplemented and replaced the shareholder agreement that was signed, among others, by the same parties on 10 March 2010, and subsequently amended on 25 March 2011 and, lastly, on 7 November 2012. This agreement related to the ordinary shares of Gruppo IPG Holding S.p.A. (hereinafter IPGH). Some clauses also made reference to the shares in Interpump Group S.p.A. held by IPGH and not included in the syndicate, as well as to certain financial instruments issued by Interpump. The additional restrictions and limitations on the purchase of Interpump ordinary shares and/or financial instruments were also terminated on 11 November 2015 by mutual consent of the parties. These had been reciprocally accepted by the members of the syndicate and by Giuseppe Ferrero and were originally due to expire on the date on which Giuseppe Ferrero ceased to hold any positions in Interpump and the Group or on 7 May 2017, if earlier. Further information is available in the document entitled: "Key information on shareholders' agreements communicated to Consob pursuant to art. 122 of Italian legislative decree no. 58 of 24 February 1998 and art. 130 of Consob Regulation no. 11971 of 14 May 1999", available on the Company's website ([www.interpumpgroup.it](http://www.interpumpgroup.it), Governance section, Shareholders, Shareholders' Agreement). Fulvio Montipò, a shareholder of IPGH, as well as Chairman and Chief Executive Officer of Interpump Group S.p.A., exercised 1,215,191 options on 21/12/2015 and received the same number of shares in Interpump Group S.p.A., which he sold to IPGH. On the same date, IPGH transferred a total of 7,197,417 shares in Interpump Group S.p.A. to MAIS S.p.A. (controlled by Isabella Seragnoli), in the context of a transaction that resulted in that company ceasing to be a shareholder of IPGH. On completion of the transaction, IPGH held about 20.230% of the share capital of Interpump Group S.p.A. Consequent to the entire transaction, the sole owners of Gruppo IPG Holding S.p.A. are the Montipò family and Tamburi Investment Partners.

IPGH held 20.230% of the share capital at 31 December 2015.

**h) Change of control clauses (ex art. 123-bis, subsection 1 letter h) TUF) and statutory provisions concerning takeover bids (ex articles 104, subsection 1-(3), and 104-(2), subsection 1)**

A loan contract was signed between Interpump Group S.p.A. and Mediobanca on 7 August 2014 for a total of Euro 50 million, with an obligatory early repayment clause in the event of a change of control. The lender, at its sole discretion, could elect on a fully independent basis to waive the early repayment clause. This loan was repaid on 15 February 2016.

A loan contract was signed between Interpump Group S.p.A. and Unicredit on 8 July 2014 for a total of Euro 40 million, with an obligatory early repayment clause in the event of a change of control.

A loan contract was signed between Interpump Group S.p.A. and B.N.L. on 27 March 2015 for a total of Euro 20 million. The bank may withdraw from this contract if, without prior written authorization, there is a change in the parties that exercise direct or indirect control over the company.

A loan contract was signed between Interpump Group S.p.A. and UBI-Banca Popolare Commercio e Industria on 10 April 2015 for a total of Euro 10 million. Without written consent from the bank, the company must not adopt and implement resolutions that *inter alia* result in a change of control, except in the case of intercompany transactions between companies that belong to the same group.

A loan contract was signed between Interpump Group S.p.A. and Commerzbank on 18 May 2015 for a total of Euro 60 million. The bank may withdraw from this contract if *inter alia* all or part of the share capital of the company is the subject of a public offer from third parties, other than those that controlled the company on the date of signing the contract, and the outcome of the offer is the acquisition of control over the company by those parties.

A loan contract was signed between Interpump Group S.p.A. and Intesa Sanpaolo S.p.A. on 23 September 2015 for a total of Euro 25 million. The bank may withdraw from this contract and demand the repayment of all outstanding amounts if *inter alia* there is a change in the relative majority shareholder.

A loan contract was signed between Interpump Group S.p.A. and UBI-Banca Popolare Commercio e Industria on 10 November 2015 for a total of Euro 50 million. Without written consent from the bank, the company must not adopt and implement resolutions that *inter alia* result in a change of control, except in the case of intercompany transactions.

A loan contract was signed between Interpump Group S.p.A. and Intesa Sanpaolo S.p.A. on 1 December 2015 for a total of Euro 50 million. The bank may withdraw from this contract and demand the repayment of all outstanding amounts if *inter alia* there is a change in the relative majority shareholder.

A loan contract was signed between Interpump Group S.p.A. and Unicredit on 21 December 2015 for a total of Euro 40 million, with an obligatory early repayment clause in the event of a change of control.

There are no change of control clauses in the case of subsidiaries, but in certain cases the Parent Company has undertaken to inform the counterpart in advance if it plans to dispose of the relative investment.

With regard to takeover bids, the Bylaws do not depart from the provisions of the passivity rule envisaged in art. 104, subsections 1 and 2 of the Consolidated Finance Act (TUF) nor do they provide for the application of the neutralization regulations set down in art. 140-(2), subsections 2 and 3, TUF.

**i) Mandates to increase share capital and authorizations to purchase treasury stock (ex art. 123-(2), subsection 1 letter m) TUF)**

The Extraordinary Meeting of 30 April 2014 resolved to grant the Board of Directors a mandate, pursuant to art. 2443 of the Italian Civil Code, to increase share capital for cash on one or more occasions by 29 April 2019, on a divisible basis pursuant to art. 2439 of the Italian Civil Code and with the exclusion of option rights pursuant to art. 2441, subsection 4, of the Italian Civil Code, by the issue of ordinary shares on the following basis: (i) up to a maximum of 10% of the

share capital of Interpump existing on the date of exercising the mandate in relation to the power to increase share capital pursuant to art. 2441, subsection 4, first sentence of the Italian Civil Code (i.e. contributions in kind), with the right of the Board of Directors to establish the amount of any additional paid-in capital; and (ii) up to a nominal amount equal to 10% of the share capital of Interpump existing on the date of exercising the mandate in relation to the power to increase share capital pursuant to art. 2441, subsection 4, second sentence of the Italian Civil Code (i.e. contributions in cash), with the right of the Board of Directors to establish any extra additional paid-in capital.

Further details may be found in art. 5 of the Bylaws, which are available on the website of Interpump Group S.p.A. ([www.interpumpgroup.it](http://www.interpumpgroup.it), in the section Governance/Shareholders' Meeting).

The Shareholders' Meeting of 30 April 2015 authorized, pursuant to the provisions of art. 2357 and art. 2357-(3) of the Civil Code, the purchase of treasury shares and their possible sale, for a period of 18 months from the date of the above-mentioned Shareholders' Meeting. Purchases may be made at a unit price ranging from a minimum of 0.52 euro to a maximum of 18.00 euro, either in the market or by making a public offer

to purchase or exchange on the basis set down in the legislation and regulations in force at the time For the same period and at the same prices, the Shareholders' Meeting authorized the Board of Directors to divest treasury stock held in the portfolio. The divestment of shares can occur also by means of a public offering, sale of treasury shares to employees, directors and collaborators of the company and/or of the group in execution of incentive plans approved beforehand at the Shareholders' Meeting, placed at the service of warrants or deposit certificates representing shares or similar securities, exchange for the purchase of equity investments or assets of interest to the company and in the framework of the possible signature of agreements with strategic partners.

At 31 December 2015 the company held 1,125,912 treasury shares in the portfolio at an average unit book value of 11.6443 euro, corresponding to 1.03% of the share capital. On 17 February 2016, the company notified Consob that the 2% threshold of treasury shares held was exceeded on 16 February 2016.

### **1) Management and coordination activities (ex art. 2497 et seq. of the Civil Code)**

The company is not subject to management or coordination. The Board of Directors has performed an assessment in this context and considers overcome the presumption pursuant to art. 2497-(6) of the Civil Code, since IPG Holding S.p.A. – although the parent and consequently obliged to consolidate Interpump Group S.p.A. – is merely an investment holding company and, in operational and industrial terms, Interpump Group S.p.A. and IPG Holding S.p.A. do not share a common management strategy.

\* \* \*

The information required by art. 123-(2), subsection 1, letter i) (“*agreements between the company and the directors..... envisaging indemnity of the directors in case of resignation, dismissal without just cause or lapsing of the office further to a takeover bid*”) is contained in the remuneration report pursuant to art. 123-(3), TUF, which is available on the website of Interpump Group S.p.A. ([www.interpumpgroup.it](http://www.interpumpgroup.it), in the section Governance/remuneration policy).

The information required by art. 123-(2), subsection 1, letter l) (“*the rules applicable to the appointment or replacement of directors ... and to the amendment of the Bylaws, if different from the legislative or regulatory provisions applicable on a supplementary basis*”) is contained in the section of the Report on the Board of Directors (Section 4.1).

### **3. COMPLIANCE (ex art. 123-(2), subsection 2, letter a), TUF)**

The Interpump Group has adopted the provisions of the July 2015 version of the Code of Corporate Governance issued under the patronage of Borsa Italiana S.p.A., which is available on the website of the Committee for Corporate Governance on page <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>. The following text describes the methods of adaptation to the above-mentioned Code.

The Issuer and its strategic subsidiaries are not subject to any provisions of non-Italian laws that affect the Issuer's corporate governance structure.

## **4. BOARD OF DIRECTORS**

### **4.1 APPOINTMENTS AND REPLACEMENTS (ex art. 123-(2), subsection 1 letter l) TUF)**

Consistent with the laws concerning the "traditional" model of administration and control adopted by the Company, as well as the related current regulations, the Bylaws govern the appointment of directors by list voting and compliance with the principle of gender balance, as described below.



“ Art. 14...

2. The appointment of directors will be carried out on the basis of lists submitted by the shareholders, according to the following provisions, except for the cases wherein this article 14 establishes that the appointment must be made using ordinary methods and majorities and those in which appointment by slate vote is not permitted or is not possible. In the measure in which it is envisaged by the legal provisions in force time by time, the appointment of directors is performed on the basis of criteria that ensure gender balance.

3. Lists may be submitted exclusively by shareholders who, either individually or together with other shareholders, are globally in possession of shares with voting rights representing at least 2.5% (two point five percent) of the subscribed and paid-up voting capital in the ordinary Shareholders' Meeting for appointments of corporate offices, or any different higher or lower percentages established by statutory legislation and regulations. The minimum percentage for the submission of lists will be specified in the notice of convocation of the meeting.

4. Each candidate may appear in a single list on penalty of losing the right to be elected.

5. Any shareholder intending to propose (or join in proposing) candidates for the post of director must file (or join in filing) at the company's registered office at least twenty-five days before the date set for the first call of the Shareholders' Meeting that is to pass a resolution on the appointment: a) a list of candidates, numbering no less than 3 (three) and no more than 13 (thirteen), each candidate associated with a sequential number; at least the candidate shown in the list under the first number must comply with the independence requirements established by art. 147-(3), subsection 4, of decree no. 58 of 24 February 1998, and subsequent amendments and of the suitability to be qualified as independent in accordance with the terms of the Code of Corporate Governance prepared by the Committee for Corporate Governance of Listed Companies promoted by Borsa Italiana S.p.A.; without prejudice to the above matters, the list must contain candidates of each gender, in accordance with the matters indicated in the notice of convocation of the Shareholders' Meeting in order to ensure compliance with legislation concerning gender balance; and b) a resume of each candidate, containing comprehensive information concerning the relative personal and professional characteristics, with an indication of the eventual possession of the requirements of independence established by 147-(3), subsection 4, of decree no. 58 of 24 February 1998 as amended, and of the suitability to be qualified as independent in accordance with the terms of the Code of Corporate Governance prepared by the Committee for Corporate Governance of Listed Companies promoted by Borsa Italiana S.p.A., with an indication: (i) of the offices of non-executive members of the board of directors or members of the board of statutory auditors in companies listed in regulated stock markets (including foreign stock markets), finance companies, banks, insurance companies, or companies of significant size, these latter being construed as companies whose financial statements for the previous year showed assets or sales in excess of 500,000,000.00 euro (five hundred million); (ii) the offices of executive members of the board of directors in any company, including companies not covered by the categories specified in the previous point (i), with the sole exception for companies engaged in the "mere utilization" of property, shareholdings or other assets, and companies that in the previous year recorded sales of up to 50,000,000.00 euro (fifty million); (iii) of the offices ex art. 2390, subsection 1, of the Italian Civil Code that call for authorization of the Shareholders' Meeting to depart from the legal ban on competition, with the specification that it is not necessary to disclose offices held in companies directly or indirectly controlled by the company, the assumption of which must be construed as authorized by the company on a general or preliminary level. For all companies in which offices are held, the relative denomination, headquarters, enrollment number in the Business Register or equivalent, and the nature of the position held (also in relation to the position of executive director, non-executive director, or independent director); and c) the declarations of each candidate whereby they express their willingness to assume the relative office in the event of election and attesting, under their personal responsibility, to the absence of any causes for ineligibility or incompatibility, the possession, if relevant, of the requirements of independence and the suitability, if necessary, to be qualified as independent in accordance with the terms of the Code of Corporate Governance of Listed Companies promoted by Borsa Italiana S.p.A., and an indication of the existence of

any additional requirements prescribed for the office either in law or in the Company Bylaws; d) a list of the shareholders submitting the list of candidates, with their name, company name or denomination, headquarters, enrollment number in the Business Register or equivalent, and the percentage of the capital they hold overall, accompanied by a certificate that shows the ownership of said equity investment and a declaration as required by art. 144-(6), subsection 4, letter b) of CONSOB Regulation no.11971 dated 14/5/1999 as amended, attesting to the absence of relations of association ex art. 144-(5) of the same CONSOB Regulation. Those submitting a list are obliged to include a sufficient number of candidates on the list and also the minimum number of candidates complying with the independence criteria and the other requirements specified by law and to act in such a way as to ensure that the composition of the list complies with the proportionality criterion for gender balance prescribed by statutory legislation. Also the specific certificate issued by an authorized broker, proving ownership, at the time of filing of the list with the Company, of the number of shares necessary for submission of the list, must be filed within the term envisaged by statutory regulations.

6. Each shareholder cannot submit (or join in submitting) more than one list nor can they vote for different lists, even by means of an intermediary or trust company. Shareholders from the same group and shareholders subscribing to a shareholders' agreement based on treasury shares, cannot submit or vote for more than one list, even by means of an intermediary or trust company.

7. Lists in relation to which the prescriptions in the previous subsections of the current art.14 have been disregarded will be considered not to have been submitted.

8. Notification is provided of the lists submitted in the cases and with the methods established by current provisions, and with any other method considered to be fitting by the Board of Directors.

9. The shareholder or shareholders who have submitted (or joined in submitting) a list associated, even indirectly, with one or more shareholders who have submitted (or joined in submitting) another list, are required to provide a statement to this effect at the beginning of the Shareholders' Meeting called to appoint the directors, and said statement must be recorded in the minutes of the Meeting. A relationship of association is considered to exist in the cases specified by art. 144-(5) of CONSOB regulation no.11971 of 14/5/1999 as amended.

10. The Board of Directors will be appointed as outlined below: a) on the basis of the sequential order in which they appear in the sections of the list, all the directors except one are taken from the list that obtained the largest number of votes cast by the shareholders; moreover, all the directors of the less represented gender as required by statutory legislation concerning gender balance will be taken from said list, except in the event in which the remaining director, taken from the list that received the second highest number of votes, is of the less represented gender: in this case all the directors of the less represented gender except one will be taken from the list that obtained the highest number of votes; b) the remaining director is taken from the list that obtained the second highest number of votes, who will be the one indicated with the first sequential number in the list, without prejudice to the matters prescribed by the above letter a) concerning gender balance; c) in the case of an equal number of votes (i.e. if two lists both receive the highest number of votes or the second highest number of votes) the Shareholders' Meeting will repeat the ballot, with a slate vote, for appointment of the entire Board of Directors; d) the candidates from the lists will be elected in compliance with the criteria indicated in the foregoing letters (a), (b) and (c), without prejudice to the provisions set down under the following letters (e), (f) and (g); e) if a single list is duly submitted, all the directors to be appointed will be taken from said list, on the basis of the sequential order with which the candidates appear in the list and always in compliance with statutory legislation concerning the independence and gender balance of directors; f) if the list that received the second highest number of votes fails to reach a percentage of the votes equivalent at least to half of those necessary for submission of the lists envisaged in the previous subsection 3, all the directors to be appointed will be taken from the list that receives the highest number of votes cast by the shareholders, on the basis of the sequential number with which the candidates appear in the list; g) if the list received the second highest number of votes has received the vote cast by one or more shareholders considered to be associated - in accordance with the foregoing subsection 9 - with one or more of the shareholders that submitted (or joined in submitting) the

list that received the highest number of votes, said votes shall not be counted. Consequently, if without considering such votes another list emerges as the second most voted list, the remaining director will be the candidate with the first sequential number appearing in said other list; h) if no list is submitted, also in application of the matters provided for by the foregoing subsection 7, or if, for any reason, the appointment of one or more directors cannot be carried out in compliance with this subsection 10, the Shareholders' Meeting will pass a resolution with the majorities required by law, anyway ensuring the presence of the necessary number of directors in possession of the legal requirements of independence and in compliance with statutory legislation concerning gender balance.

11. The directors remain in office for a maximum of three years, as decided at the Shareholders' Meeting that appoints them, and are eligible for re-election.

12. Independent directors are required to notify the Board of Directors immediately of any cessation of the criteria of independence required by law and, with regard to directors appearing in the lists with the first sequential number, the fitness to be qualified as independent in accordance with the terms of the Code of Corporate Governance prepared by the Committee for Corporate Governance of Listed Companies promoted by Borsa Italiana S.p.A. The loss of said requirements or suitability will result in expiry of the term of office.

13. Without prejudice to the matters prescribed in the following subsection 15, if, during the financial year, one or more directors taken from the list that received the highest number of votes or elected with the ordinary methods and majorities should cease to be available for whatsoever reason, and if said unavailability is not such as to result in the loss of the majority of the directors appointed by the Shareholders' Meeting, the Board of Directors will replace the unavailable director or directors by means of co-optation, in compliance with the provisions of art. 2386 of the Italian Civil Code. The thus co-opted director will remain in office until the next Shareholders' Meeting, which will either confirm the appointment or make a replacement utilizing ordinary methods and majorities rather than a slate vote.

14. Without prejudice to the matters prescribed in the following subsection 15, if, during the financial year, the director taken from the list that received the second highest number of votes should cease to be available for whatsoever reason, and if said unavailability is not such as to result in the loss of the majority of the directors appointed by the Shareholders' Meeting, the Board of Directors will replace the unavailable director by means of co-optation of the candidate appearing with the second sequential number in said list, provided said candidate is still eligible and willing to accept the office, or otherwise, by co-optation of the candidate appearing with the third sequential number in the same list, and so forth, until all the candidates appearing in the list have been exhausted. If it proves impossible to obtain a candidate to co-opt from this latter list, then the candidate appearing with the first sequential number in the list that received the third highest number of votes will be co-opted, providing said list has received the minimum quorum indicated under the previous paragraph 10, letter f), assuming said candidate is still eligible and willing to accept the office, or otherwise, by co-optation of the candidate appearing with the second sequential number in the same list, and so forth, until all the candidates appearing in the lists that have reached the minimum quorum indicated under the previous paragraph 10, letter f) have been exhausted. If it should prove impossible to co-opt a director from the lists indicated above, the Board of Directors will co-opt a director of its own choosing.

15. Also in departure from the provisions of the above paragraphs 13 and 14, if the unavailable director is an independent director, said director must be replaced, also by means of co-option, with another independent director, and if the unavailable director must also be fit for qualification as independent in accordance with the terms of the Code of Corporate Governance prepared by the Committee for Corporate Governance of Listed Companies promoted by Borsa Italiana S.p.A., said director must be replaced, also by means of co-option, by another director with equivalent qualifications. Likewise, if the lapsed director is of the less represented gender and the cessation results in the loss of the criterion of proportionality of gender balance, the director in question must be replaced, also by co-optation, by a director of the same gender, in such a way as to ensure compliance with the relevant statutory legislation at all times.

16. If the majority of directors appointed by the Shareholders Meeting should be lost, instead of replacing

the unavailable director or directors by means of co-option, the entire Board of Directors will be considered to have lapsed and it must call a Shareholders' Meeting without delay so that the Board can be reconstituted by means of slate voting."

Apart from TUF prescriptions, the Issuer is not subject to specific regulations concerning the composition of the Board of Directors.

### Succession plans

The Company has not prepared a succession plan, since it believes that decisions on the succession of directors should be taken by the members of the Board of Directors working together.

## 4.2 COMPOSITION (ex art. 123-(2), subsection 2 letter d) TUF)

The Board of Directors is now composed as follows:

| Names                | Position  |
|----------------------|---|
| Fulvio Montipò       | Chairman and Chief Executive Officer (1) (2)        |
| Paolo Marinsek       | Deputy Chairman and Chief Executive Officer (1) (2) |
| Giuseppe Ferrero     | Non-executive Director                              |
| Franco Garilli       | Independent Director<br>Lead Independent Director   |
| Marcello Margotto    | Independent Director                                |
| Giancarlo Mocchi     | Non-executive Director                              |
| Stefania Petruccioli | Independent Director                                |
| Paola Tagliavini     | Independent Director                                |
| Giovanni Tamburi     | Non-executive Director                              |

(1) authority to act for the company as per clause 17 of the Bylaws

(2) powers relative to ordinary business with a limitation of the amount beyond which the decision must be referred to the Board of Directors.

The following changes were made during 2015 to the Board of Directors that was appointed at the Shareholders' Meeting of 30 April 2014, on a proposal from Gruppo IPG Holding S.p.A.: Mara Caverni resigned with effect from 30 June 2015 and was replaced by Stefania Petruccioli, who was co-opted at the same meeting pursuant to art. 2386, subsection 1, of the Italian Civil Code and art. 14, subsection 13, of the Bylaws. Carlo Conti resigned with effect from 1 July 2015 and was replaced as Lead Independent Director and member of the Control and Risks and Compensation Committee by Franco Garilli, who was already a director of Interpump Group S.p.A. Lastly, on 6 August 2015, the Board of Directors resolved pursuant to art. 2386, subsection 1, of the Italian Civil Code and art. 14, subsection 13, of the Bylaws to co-opt Marcello Margotto, who will remain in office until the next Shareholders' Meeting.

The Board of Directors will remain in office for three years, until approval of the 2016 financial statements.

A concise resume of each director in office is given below.

### ***Fulvio Montipò***

Born in Baiso (RE) on 22 October 1944. Graduated in Sociology in 1972 from the University of Trento. Personnel Manager - Organizational Director with Bertolini Macchine Agricole (1967-1972). General Manager of Bertolini Idromeccanica (1972-1977). Founder of Interpump Group S.p.A., where he has been the Chief Executive Officer since the date of incorporation. Appointed as Chairman and Chief Executive Officer of Interpump in April 2013.

### ***Paolo Marinsek***

Born in Trieste on 13 November 1950. Graduated in Aeronautical Engineering in 1975 from the Turin Institute of Technology. Employed in the FIAT Group from 1976 to 2004 in roles of increasing responsibility: Technology Manager, Mirafiori Meccanica plant (1979-1981); Director of Technical Services and Maintenance at Mirafiori Meccanica (1981-1985); Production Director at Termoli plant to launch the production of the "FIRE" engine type (1985-1986); Director of Termoli plant (1986-1989); Director of all Fiat Auto mechanical production plants (1989-1990); Head of Fiat Auto Total Quality Plan (1990-1992); CEO of Fiat Auto Poland (1992-1996); CEO of Comau S.p.A. and Head of vehicles and production systems sector of Fiat S.p.A. (1996-1998) Executive Director and General Manager of Ferrari S.p.A. and also Maserati S.p.A. (1998-2000) Executive Director and General Manager of Fiat Engineering S.p.A. (2000-2004). Deputy Chairman and Chief Executive Officer of Interpump from April 2003, having served as General Manager from November 2004 to April 2005, when he was appointed as Chief Executive Officer.

### ***Giuseppe Ferrero***

Born in Turin on 14 November 1946. Graduated in Law from Turin University in 1972. After graduating he continued to work alongside his father. Gradually he was awarded various offices and responsibilities until he rose to the position of Chairman and CEO in various Ferrero Group companies. Since 2007 he has been at the helm of the Ferrero Group. Currently, outside the context of the Ferrero Group, he occupies the following offices: Director of Unione Industriale of Turin and Director of TIP S.p.A. Director of Interpump Group S.p.A. since 2003.

### ***Franco Garilli***

Born in Farini (Piacenza) on 28 October 1951. Graduate in Economics and Commerce from Milan's Cattolica University. Registered with the Piacenza Chapter of Italian Public Accountants and registered Legal Auditor. His professional career with KPMG involved participation, at various levels of responsibility, in audits of medium/large, Italian and international companies and groups, some listed, mainly operating in the financial, manufacturing, transport and chain distribution sectors.

As the Partner in charge of Audit Activities for KPMG Italy, he represented the Italian Network on the various international committees comprising the KPMG Global Network. Served as the Chief Executive Officer of KPMG S.p.A. Member of the Board of Directors of BRT S.p.A. Director of Interpump Group S.p.A. since 2014.

### ***Marcello Margotto***

Born in Bologna on 1 January 1961. Graduated in Economics and Business Studies in 1986 from the University of Bologna. Italian Chartered Accountant and Registered Legal Auditor. Sales-marketing assistant at the "La Perla fashion Group" (1987-1988). Worked for Studio Piombini, Bologna, specialized in business, tax and corporate advisory work (1987-1988). Professional collaboration with Studio Napodano, specialized in court-supervised arrangements, tax and corporate advisory work for industrial groups of companies (1989-1991). Founder and principal owner of RD Team Srl, a company specialized in obtaining assistance and tax credits for R&D and innovation work by SMEs and large firms, networks of firms, start-ups and innovative SMEs (from 2008 to date). Founder and partner of Studio Margotto & Partners, specialized in tax, corporate and business advisory work for firms and groups of companies, permanent establishments of foreign companies and groups in Italy, and the development and internationalization of SMEs. Statutory auditor and director of numerous companies. Director of Interpump Group S.p.A. since 2015.

### ***Giancarlo Mocchi***

Born in Pavia on 3 January 1940. Graduated in Economics and Business Studies in 1964 from Bocconi University in Milan. Budgeting, EDP, and Auditing functions with CGE Group - General Electric (1965-1969). In the Ciba-Geigy group in various sectors and rising levels of responsibility until reaching the position of codirector of the Pharmaceuticals Division, with direct responsibility for Planning / Control / Information Systems / Distribution / Materials management (1970-1998). Worked in the Novartis group as director of Finance / Administration / Control / Systems (1996-1999). Director in several companies such as G.D S.p.A., Mais S.p.A., Mais Partecipazioni Stabili S.r.l., B Group S.p.A., Isco S.r.l., Simisa S.r.l., TIP S.p.A., Limoni S.p.A., Irbm S.p.A. and Ergon Sutramed S.p.A. Chairman of Consorzio Dafne from its formation (1991) until 1997, and member of the Managing Council of the Assinde association. Chairman or member of the board of statutory auditors of several companies from 1971, including: Fervet S.p.A.; Aqua Viva S.p.A.; Irga S.p.A.; Geigy S.p.A.; Ilford S.p.A.; Chimosa S.p.A.; Airwick S.p.A.; Gretag S.p.A.; Titmus S.p.A.; Viba S.p.A.; Istituto Vaccinogeno Pozzi S.p.A.; Chiron S.p.A.; Ciba Vision S.r.l. Director of Interpump Group S.p.A. since 2008.

### ***Stefania Petruccioli***

Born in Turin on 3 July 1967. Graduated in Business Economics in 1991 from Bocconi University in Milan. Italian Chartered Accountant. University work from 1991-2004: scholar at the Institute of Stock Exchange Studies "A. Lorenzetti" at Bocconi University; contract lecturer in "Business Economics and Management" and assistant professor in "Financial Strategies for Business Development". Collaborated on tax and corporate advisory work at Studio Associato di Dottori Commercialisti "Camozzi Bonisconi" (1991-1994). Analyst for Medinvest S.p.A. - specialized in Mergers & Acquisitions and Corporate Finance (1995-1998). Analyst specialized in investments and the management of holdings for Eptaventure S.r.l. (Eptaconsors group) – Closed-end fund management company (1998-2000). Manager in the investment and active management of equity investments, assisted by Livolsi & Partner S.p.A. at Convergenza Com S.A. – manager of the Convergenza Fund specialized in private equity and venture capital transactions in the media, telecoms, Internet e biotechnologies sectors (2000-2005). Partner in Progressio SGR S.p.A. – manager of two private equity funds (2005-2013). From July 2014, investment manager at Principia SGR S.p.A. – manager of venture capital and growth funds. Independent director of De' Longhi S.p.A. and member of the Audit and Risks Committee from 2013, and independent director of Cairo Communication S.p.A. and member of the Compensation Committee and the Related Parties Committee from 2014. Director of Interpump Group S.p.A. since 2015.

### ***Paola Tagliavini***

Born in Milan on 23 October 1968. Graduated in Business Economics from Bocconi University in Milan in 1992, with a specialization in Finance. Registered Legal Auditor. Lecturer on risk management at Bocconi University and SDA Bocconi. Joint director of the ERM Lab at SDA Bocconi. Managing Partner at DGPA Risk, an advisory unit of DGPA & CO. specialized in risk management. Two decades of consulting on risk management matters. Directed Marsh's Italian strategic risk consulting team for more than eight years (1999-2006). Director of the Italian corporate risk practice of Oliver Wyman (2007-2009). Directed AON's Italian risk management consulting team (2009-2011). From 1993 to 2005, lecturer in Economics, Business Management and Business Protection at Bocconi University, as well as researcher at Bocconi's SPACE Center on business protection matters. Visiting Researcher at the Department of Insurance & Risk Management, Wharton School (1997). Author of publications and speaker at numerous conferences on risk management matters. Director of Interpump Group S.p.A. since 2014.

### ***Giovanni Tamburi***

Born in Rome on 21 April 1954. Graduate in Economics and Commerce from La Sapienza University, Rome Former member of the Commission for Law 35/92 set up by the Budget Ministry (Commission for privatizations) and member of the advisory board of the Milan Municipal Authorities. Worked for S.O.M.E.A. S.p.A. (February 1975-July 1977) and for the Bastogi Group (September 1977-September 1980). From 1980 to 1991 he held important positions in Euromobiliare (Midland Bank Group), becoming a director of Euromobiliare S.p.A. and General Manager of Euromobiliare Montagu S.p.A., the group's investment banking arm. Founder and Chairman of Tamburi Investment Partners S.p.A., an independent investment/merchant bank focused on the development of excellent medium-sized Italian companies listed

in the STAR segment of Borsa Italiana. Author of many books, specialty publications and articles. Director of Interpump Group S.p.A. since 2005.

### **Cumulative limits on appointments held in other companies**

As regards the maximum number of appointments that a director may hold (pursuant to Application Criterion 1.C.3), the Board of Directors has recommended that:

- for the purpose of the regulations set forth hereafter regarding the total number of appointments held by company directors: (i) other "directorships" include any appointments as sole director or member of Management Committees or Boards of Directors (in one-tier systems, only members responsible for management), while other appointments as "auditor" include membership of Boards of Statutory Auditors, Supervisory Committees and Audit Committees within Boards of Directors in one-tier systems; (ii) only directorships or audit appointments in other companies listed on regulated markets (foreign markets included), finance companies, banks, insurance companies or large organizations, meaning those with annual revenues in excess of Euro 500 million (hereinafter referred to as "Significant Companies") are considered; (iii) appointments held in more than one Significant Company belonging to the same group, the Interpump Group included, are considered to be a single appointment with prevalence given to that requiring the greatest professional commitment (executive role for example);
- the Shareholders' Meeting should not appoint persons as executive directors when they already hold executive appointments in one or more other companies (including companies not classified as "Significant Companies", but excluding for this purpose companies that merely hold real estate, equity investments or other assets with annual revenues of no more than Euro 50 million), or are non-executive directors in four or more other Significant Companies;
- the Shareholders' Meeting should not appoint persons as non-executive, independent or non-independent directors when they are already executive directors in two or more Significant Companies, or non-executive directors or statutory auditors in ten or more other Significant Companies;
- the Board shall only assign executive duties to directors appointed at the Shareholders' Meeting and approve the assignment of executive duties within Interpump group companies when these are not incompatible with the established limits, unless the Board resolves for good reason that valid and objective grounds exist for making a temporary or permanent exception to these limits.

Apart from their disclosure in this report, the aforementioned limits are also disclosed at any Shareholders' Meetings held to make such appointments.

The directorships or statutory audit appointments held by Interpump Group directors in other listed companies or in significant companies as defined by the Code of Corporate Governance are as follows: **Fulvio Montipò**: Finance companies: Gruppo IPG Holding S.p.A. (Investment holding company); **Giuseppe Ferrero**: Listed companies: Director of Tamburi Investment & Partners S.p.A.; **Marcello Margotto**: Unlisted companies of significant dimensions: director of F.A.A.C. Spa (automatic gates; automatic doors...); **Giancarlo Mocchi**: Unlisted companies of significant dimensions: Director of G.D. S.p.A. (cigarette production and packaging machinery); Finance companies: CEO of MAIS Partecipazioni Stabili S.r.l. (Investment holding company); **Stefania Petruccioli**: Listed companies: director of the De' Longhi Group (household appliances), director of Cairo Communication Group (communications); **Paola Tagliavini**: listed companies: independent director of SAVE SpA (airport management), independent director of DeLclima Spa (heating, ventilation, air conditioning and refrigeration), this company was delisted in February 2016; **Giovanni Tamburi**: Listed companies: Chairman and Chief Executive Officer of Tamburi Investment & Partners S.p.A., Director of Zignago Vetro S.p.A (glass containers), Director of Prysmian S.p.A; Director of Amplifon S.p.A.; Unlisted companies of significant dimensions: Director of Azimut Benetti Spa; Finance companies: Gruppo IPG Holding S.p.A. (Investment holding company). **Franco Garilli**: Unlisted companies of significant dimensions: Director of BRT S.p.A. (transport company)

### ***Induction Program***

Initiatives aimed at raising awareness of the company situation and its dynamics are implemented in response to a simple request from the director (Application Criterion 2.C.2).

### **4.3 ROLE OF THE BOARD OF DIRECTORS (ex art. 123-(2), subsection 2 letter d) TUF)**

The Board of Directors meets on a regular basis and is organized and works to ensure that it fulfills its functions in an effective manner, pursuing the primary goal of creating value for shareholders in accordance with group directives and policies (see Principles 1.P.1 and 1.P.2).

The Board of Directors met 8 times during 2015 with an average duration of 2 hours. The attendance percentages of each director during the year are indicated in Table 2.

At least 7 meetings are scheduled for 2016 (including 6 on the schedule already made public), 2 of which already held at the time of writing. The directors usually receive the documents concerning items on the agenda one week before the related board meeting.

The Chairman ensures that enough time is allocated to the items on the Agenda to ensure constructive debate (Application Criterion 1.C.5.).

Board meetings are generally also attended by the Manager responsible for preparing company accounting documents and the Secretary of the Board of Directors. The Board of Directors has established that, upon written request made to the Chairman, by two or more directors giving at least two working days' notice, board meetings may be attended by company executives and/or the executive directors and executives of Interpump group companies, in order to provide necessary background information about items on the agenda in their respective areas of expertise, on the understanding that their participation is limited solely to those matters.

Article 14, point 18, of the current Bylaws envisages inter alia that the Board of Directors has sole responsibility: for examining and approving the company's strategic, industrial and financial plans, for defining the corporate structure of the group headed by the company and for deciding on transactions above a predetermined limit and/or that are significant in nature.

In accordance with the requirements of Application Criterion 1.C.1.c), on 12 February 2015 the Board of Directors assessed the adequacy of the organizational, administrative and accounting structure of Interpump Group S.p.A. and the subsidiaries of strategic significance, with particular reference to the internal control and risks management system, which is described in a document prepared by the competent departments and was subjected to preliminary examination by the Control and Risks Committee.

The following subsidiaries are deemed to have strategic significance: Muncie Power Products Inc, Interpump Hydraulics S.p.A., NLB Corporation Inc., Hammelmann GmbH, General Pump Inc., Walvoil S.p.A., Hydrocontrol S.p.A., I.M.M. Hydraulics S.p.A., Contarini Leopoldo S.r.l., Oleodinamica Panni S.r.l. and HS Penta S.p.A. (merged by incorporation into Interpump Hydraulics S.p.A. on 5 January 2016), based on size criteria.

The Board of Directors assessed general operating performance during 2015, considering in particular the information received from executive bodies and comparing at least every quarter the results achieved with the targets set (Application Criterion 1.C.1.e)).

The Bylaws of Interpump Group S.p.A. establish limits for the transactions of the Issuer that must be approved by the Board of Directors. The Bylaws of each subsidiary establish limits for the transactions that must be approved by its Board of Directors, which includes directors representing the parent company. The Board of Directors of the parent company is entitled to resolve on the votes to be cast at the extraordinary meetings of direct subsidiaries and on the appointment of the directors of direct subsidiaries.



As regards assessment of the functioning of the executive body and its committees (Application Criterion 1.C.1.g)), as well as their size and composition, the board meeting held on 12 February 2016 decided to consider the following aspects:

- the adequacy of the number of directors, considering the presence of a sufficient number of independent directors, as well as the professional characteristics, managerial and other experience, and gender of board members;
- the proper functioning of the Board and its associated committees (in particular, the number of meetings held, member attendance at meetings, with the exception of justified absences that do not interfere with the proper functioning of the board), and the lack of anomalous differences in the opinions of individual members at the time of voting.

The assessment was conducted by means of a questionnaire distributed to the directors, without assistance from external advisors. The results were summarized in anonymous form in a document that was distributed to the directors prior to the board meeting.

On the basis of the above, the Board of Directors considers the size, composition and functioning of the Board of Directors and its associated committees to be appropriate, and hence does not deem it necessary to make any changes.

The Shareholders' Meeting has not authorized exceptions to the no-competition requirement contained in art. 2390 of the Italian Civil Code.

#### **4.4 DELEGATED BODIES**

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

At the meeting held on 30 April 2014, the Board of Directors assigned the mandates detailed below to Fulvio Montipò, Chairman and Chief Executive Officer, and Paolo Marinsek, Deputy Chairman and Chief Executive Officer.

In particular, the mandates as sole signatory granted to the Chief Executive Officers include, among other matters, keeping and signing Company correspondence, selling without warranty goods and all other fungible assets with a value not exceeding Euro 5 million; purchasing goods and all other non-registered fungible assets and, in general, signing contracts regarding the industrial and commercial management of the Company, on condition that their value does not exceed Euro 5 million, purchasing and selling motor vehicles on condition that their value does not exceed Euro 75 thousand; taking care of the ordinary administration of the Company in order to achieve the corporate objects. They can also delegate all or part of their powers to any other director or to third parties. Their joint signatures or signature together with another member of the Board of Directors is required to purchase and sell motor vehicles for amounts in excess of Euro 75 thousand, and to hire and terminate managers whose gross annual salary is between Euro 75 thousand and Euro 120 thousand. In relation to the option offered in the Code of Corporate Governance, Interpump Group has decided not to form an Executive Committee.

At the same meeting, the Board of Directors granted the Deputy Chairman and Chief Executive Officer, Paolo Marinsek, the following mandates and related operational powers:

- (i) manage relations with institutional investors and other shareholders, supervise the management of confidential information and the external communication of significant information, as well as ensure compliance with the rules of corporate governance laid down in applicable legislative and regulatory provisions, in the Company's Bylaws, and in the Code of Corporate Governance for listed companies, which the Company has adopted;
- (ii) supervise the routine management of the Company;
- (iii) supervise the activities of the Chief Financial Officer (CFO) of the Group, except for those supervised by the Chairman;
- (iv) ensure the functioning and adequacy of the system of internal control;

- (v) work together with the Chairman and Chief Executive Officer to make recommendations to the Board of Directors about strategies and guidelines for the Company and the Group, and implement the related board resolutions;
- (vi) work together with the Chairman and Chief Executive Officer to plan the career development of senior management personnel, making recommendations to the Board of Directors and the Remuneration Committee about their remuneration and incentive systems (MBO, stock option plans and similar).

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

At the meeting held on 30 April 2014, the Board of Directors granted the Chairman and Chief Executive Officer, Fulvio Montipò, the following specific operating powers as his functional responsibility:

- (i) supervise the management of all Group companies;
- (ii) make recommendations to the Board of Directors about strategies and guidelines for the Company and the Group, including product strategies, and implement the related board resolutions;
- (iii) make recommendations to the Board of Directors about the purchase and disposal of investments in companies, businesses or lines of business and joint ventures and implement the related board resolutions; make recommendations to the Board of Directors about other special finance operations, loans, mortgages and borrowing in general, including leasing, and implement the related board resolutions;
- (iv) assist and supervise the work of the Finance Committee;
- (v) report promptly to the Board of Directors on key legislative and regulatory changes concerning the Company and its executive bodies, with emphasis in particular on those concerning the directorship function and the preparation of written reports, as necessary, to describe the above changes.

The Chairman has received operational mandates as the founder of the Group with profound knowledge of the sectors concerned (Principle 2.P.5.).

The Chairman is one of the shareholders of the IPG Holding Group, which holds a 20.230% interest in Interpump Group S.p.A., and one of the Issuer's two Chief Executive Officers.

The Interlocking Directorate situation (when the CEO of the issuer becomes a director of another issuer that is not a member of the group, whose CEO is a director of the issuer) envisaged in Application Criterion 2.C.5 does not apply.

### **Information to the Board of Directors**

The delegated bodies report to the Board of Directors on the activities undertaken in the exercise of the mandates conferred upon them at the first available meeting of the board on at least a quarterly basis.

## **4.5 OTHER EXECUTIVE DIRECTORS**

No other Directors are considered to be executive directors inasmuch as they i) hold the office of CEO or executive chairman in a company that is a subsidiary of the Issuer having strategic significance and/or ii) hold executive positions in the Issuer, in a subsidiary having strategic relevance or in the holding company where the appointment also concerns the Issuer, and/or iii) because they are members of executive committees in cases indicated by the Code (Application Criterion 2.C.1.).

## **4.6 INDEPENDENT DIRECTORS**

Pursuant to Principles 3.P.1. and 3.P.2. and Application Criterion 3.C.4. of the Code of Corporate Governance, at the meeting held on 30 April 2014, immediately after appointment, the Board of Directors:

- considered the independence of the following non-executive directors: Mara Anna Rita Caverni, Carlo Conti, Franco Garilli and Paola Tagliavini adopting, inter alia, the criterion of the prevalence of substance over form (Application Criterion 3.C.1. and 3.C.2.), and referring not only to the information

provided by the persons concerned, but also to all other information available to the Company, and informed the market in the press release issued on 30 April 2014 regarding approval of the 2013 financial statements;

- considered the participation of independent directors at Board Meetings to be appropriate, both in quantitative (the ratio of independent directors to the overall size of the Board and need for internal committees) and qualitative terms (authority and professional expertise) (Application Criterion 3.C.3.).

In accordance with the provisions of Application Criterion 3.C.5., the Board of Statutory Auditors confirmed to the Board of Directors during the session held on 30 April 2014 that it had overseen the correct application of the verification criteria and procedures adopted to assess the independence of its members.

Subsequent to the resignation of Mara Caverni as a director, the Board of Directors co-opted Stefania Petruccioli as a director at the meeting held on 30 June 2015, assessing her independence and adopting, amongst other principles, the criterion of substance over form (Application Criteria 3.C.1. and 3.C.2); its judgment was based both on the information provided by the director concerned and on all the other information available. The Company informed the market about this appointment in a press release issued on 30 June 2015.

At the same meeting and in accordance with the provisions of Application Criterion 3.C.5., the Board of Statutory Auditors confirmed to the Board of Directors its favorable opinion and approval of the resolution to co-opt Stefania Petruccioli as a director.

Subsequent to the resignation of Carlo Conti a director, the Board of Directors co-opted Marcello Margotto as a director at the meeting held on 6 August 2015, assessing his independence and adopting, amongst other principles, the criterion of substance over form (Application Criteria 3.C.1. and 3.C.2); its judgment was based both on the information provided by the director concerned and on all the other information available. The Company informed the market about this appointment in a press release issued on 6 August 2015.

At the same meeting and in accordance with the provisions of Application Criterion 3.C.5., the Board of Statutory Auditors confirmed to the Board of Directors its favorable opinion of the resolution to co-opt Marcello Margotto as a director.

On 12 February 2016, the Board of Directors assessed the independence of the four independent executive directors adopting, among other principles, the criterion of substance over form (Application Criteria 3.C.1. and 3.C.2); its judgment was based both on the information provided by the directors concerned and on all the other information available to the company. The Board of Statutory Auditors has also confirmed that it has checked the proper application of the criteria and procedures utilized by the Board of Directors to assess the independence of its members.

The independent directors have stated that they met on 12 February 2016 in the absence of the other directors (Application Criterion 3.C.6.).

#### **4.7 LEAD INDEPENDENT DIRECTOR**

At the meeting held on 30 April 2014, the Board of Directors appointed Carlo Conti, non-executive and independent director, as the Lead Independent Director pursuant to Application Criterion 2.C.3., since he met the requirements. Following the resignation of Carlo Conti as a director, the Board of Directors appointed Franco Garilli as Lead Independent Director at the meeting held on 6 August 2015. The Lead Independent Director is a point of reference and coordination for the requests and contributions of the non-executive directors and, in particular, those who are independent. He collaborates with the Chairman of the Board of Directors in order to ensure that the directors receive information flows on a complete and timely basis.

## **5. PROCESSING OF COMPANY INFORMATION**

The Board of Directors of Interpump Group S.p.A. approved the "Procedure for the market disclosure of privileged information and documents about Interpump Group S.p.A. and the financial instruments issued by the Company" at the meeting held on 14 March 2006.

This procedure defines the basis and timing for communications to the market by Interpump Group S.p.A. about privileged information regarding Interpump Group S.p.A. and its subsidiaries pursuant to art. 93 TUF and, at the same time, establishes appropriate controls in order to prevent the Market Abuse offenses envisaged by Decree 231/2001.

Compliance with the procedure is required by all those who, due to their work or professional activities, have access to Privileged Information about Interpump Group S.p.A. including, in particular, the directors, statutory auditors and employees of Interpump Group S.p.A. and its subsidiaries.

The Procedure is associated with the " Procedure for keeping the Register of persons having access to inside information " procedure and "Identification of significant parties and the methods and terms of disclosure of the transactions executed by them in relation to shares issued by Interpump Group S.p.A. or other financial instruments connected to them" (Internal Dealing procedure).

The above-mentioned procedures, which took effect from 1 April 2006, can be consulted on the company website (Application Criterion 1.C.1. letter j) at the address [www.interpumpgroup.it](http://www.interpumpgroup.it), Governance section, Market Abuse procedure).

On 30 April 2014, the Board of Directors made the Deputy Chairman and Chief Executive Officer, Paolo Marinsek, responsible for the Company's confidential information and the external communication of significant information.

## **6. BOARD COMMITTEES (ex art. 123-(2), subsection 2, letter d), TUF)**

The Board of Directors has appointed the Remuneration Committee, the Control and Risks Committee and the Appointments Committee (see Principle 4.P.1).

At the meeting held on 12 February 2016, the Board of Directors declared that it considers the size, composition and operation of the Board and its committees to be adequate.

The meetings of each committee are properly minuted.

## **7. APPOINTMENTS COMMITTEE**

At the meeting held on 10 November 2015, the Board of Directors resolved to form an Appointments Committee.

The majority of the Committee members are independent directors (see Principle 5.P.1), and the Chairman is selected from among the independent directors.

The Committee comprises Marcello Margotto, Franco Garilli and Giovanni Tamburi, who are all members of the Remuneration Committee, and its Chairman is Marcello Margotto.

This Committee has not met yet, given the absence of any need.

## **8. REMUNERATION COMMITTEE**

**Composition and function of the Remuneration Committee (ex art. 123-(2), subsection 2, letter d) TUF)**

The Committee is composed of non-executive directors, the majority of whom are independent (see Principle 6.P.3), and the Chairman is selected from among the independent directors. The meetings are coordinated by the Committee Chairman and properly minuted. On 12 February 2016, the Board of Directors judged the participation of the independent directors on the Committee to be adequate in "quantitative" and "qualitative" terms i.e. in terms of their authoritative contributions and professional expertise. At the meeting held on 18 March 2016, the Board of Directors considered adequate the accounting and financial knowledge and experience, including that regarding remuneration policy matters, of Marcello Margotto, Franco Garilli and Giovanni Tamburi.

The Committee comprising Carlo Conti, Chairman, Franco Garilli and Giovanni Tamburi met on 18 March 2015 and 28 April 2015, with everyone in attendance. Following the resignation of Carlo Conti as a director, the Board of Directors replaced him by co-opting Marcello Margotto at the meeting held on 6 August 2015, who was then appointed as Chairman of the Committee.

The average duration of the meetings was about 20 minutes.

There are 2 meetings planned for 2016.

The compensation of the directors comprising the Committee is decided by the Board of Directors, with the abstention of the persons directly concerned (Application Criteria 6.C.6.). The committee meetings have not been attended by persons who are not members (Application Criterion 4.C.1.f)).

#### **Functions of the Remuneration Committee**

For information about the functions assigned to the Remuneration Committee is presented in Section I, Chapter 1 "Procedures utilized for the adoption and implementation of the remuneration policy" of the Interpump Group S.p.A. "Remuneration Policy". The policy was set down by the Board of Directors in its meeting of 18 March 2016.

Discussions during the first meeting held in 2015 addressed the following:

- the general policy for the remuneration of executive directors, other directors with special duties and Managers with Strategic Responsibilities;
- the recommendations made to the Board of Directors concerning compensation for the office of director and the total maximum remuneration of directors assigned special duties in relation to 2015 and to the period from 1 January 2016 until the date of approval of the 2015 financial statements;
- approval of the draft illustrative report of the Board of Directors to the Shareholders' Meeting for submission to the Board;
- determination of the 2014 bonuses to be assigned to the two executive directors of the Group, based on their achievement of the objectives established by the Board of Directors;
- supplementary remuneration for the Chairman.

During the second meeting, the Committee resolved to propose to the Board of Directors:

- the remuneration to attribute to the individual directors assigned special duties in relation to 2015 and the period from 1 January 2016 until the date of approval of the 2015 financial statements;
- the amount of the 2015 bonuses to be assigned to the top managers of the Group, based on the accomplishment of the objectives established by the Board of Directors and determination of the objectives associated with the 2015 bonuses;
- the methods for assigning the options to be granted to the beneficiaries in relation to the 2014 Tranche of the "Interpump 2013/2015 Incentive Plan".

The members of the Board of Statutory Auditors did not participate in the work of the Remuneration Committee.

In the execution of its functions the Remuneration Committee is entitled to access the necessary information and corporate functions and to make use of external consultants as necessary, according to the terms established by the Board of Directors (Application Criterion 4.C.1., letter e)).

The Board of Directors has assigned a budget of Euro 25 thousand to the Remuneration Committee for its activities.

## **9. DIRECTORS' REMUNERATION**

For information concerning the general policy for remuneration and the remuneration plans based on shares, refer to Chapter 3 "Aims and principles of the remuneration policy" and Chapter 4 "Remuneration components" of Section I of the Interpump Group S.p.A. "Remuneration Policy". The policy was set down by the Board of Directors in its meeting of 18 March 2016.

With regard to the remuneration of executive directors and non-executive directors, refer to Chapter 5 "Directors' Remuneration" of Section I of the Interpump Group S.p.A. "Remuneration Policy".

At the meeting held on 18 March 2016, pursuant to the provisions of Annex 1 to the CONSOB Regulation on Related Party Transactions no. 17221 of 12 March 2010, the Board of Directors resolved not to identify any other Managers with Strategic Responsibilities, in addition to the Chairman and the Deputy Chairman who are both CEOs. This decision is the consequence of the fact that, due to the way the Group is structured, there are no managerial jobs with group responsibilities but rather roles with responsibilities limited to a division, an individual company or a group function.

The Manager responsible for preparing company accounting documents is the recipient of stock options that are granted on the achievement of personal qualitative objectives not linked to the results of the Company, as well as the plan's general quantitative objectives.

Directors' compensation for 2015 is shown in the tables of Section II of the Interpump Group Remuneration Policy referenced above.

### **Indemnity of directors in the case of resignation, dismissal or termination of office further to a takeover bid (ex art. 123-(2), subsection 1, letter i), TUF)**

No indemnities are envisaged in the case of resignation, dismissal or termination of office following a takeover bid.

## **10. CONTROL AND RISKS COMMITTEE**

### **Composition and function of the Control and Risks Committee (ex art. 123-(2), subsection 2, letter d) TUF)**

During 2015, the Control and Risks Committee comprised the following independent directors:

- Paola Tagliavini, Chairman, Mara Caverni and Carlo Conti at the meetings held on 29 January, 9 March and 7 May;
- Paola Tagliavini, Chairman, and Stefania Petruccioli at the meetings held on 16 July and 4 August, following the resignations of Mara Caverni, replaced by Stefania Petruccioli, who was co-opted by the Board, and Carlo Conti. In this regard and ahead of the appointment of a replacement for Carlo Conti, the Committee Chairman considered the Committee to be quorate with just two independent directors, since the matters addressed related to the continuity of the Committee's routine activities in support of the Board of Directors;
- Paola Tagliavini, Chairman, Stefania Petruccioli and Franco Garilli at the meeting held on 15 October, following the appointment of Franco Garilli as a Committee member to replace Carlo Conti.

On 12 February 2016, the Board of Directors judged the participation of the independent directors on the Committee to be adequate in "quantitative" and "qualitative" terms i.e. in terms of their authoritative contributions and professional expertise. (see Principle 7.P.4.).

6 meetings of the Committee were held in 2015, with an average duration of 2 hours. Six meetings are planned for 2016, of which 2 have already been held. The meetings are properly minuted.

All the members of the Board of Statutory Auditors have a standing invitation to participate in the work of the Committee, with at least one attending every meeting, as have the Director responsible for the internal control and risk management system, the Group Internal Audit Manager and the Manager responsible for preparing company accounting documents. The meetings were also attended, on the invitation of the Committee and restricted to individual points on the Agenda, by the representatives of the independent auditor (see Application Criterion 4.C.1. f) and the Chairman of the Supervisory Body of Interpump S.p.A.

### **Functions attributed to the Control and Risks Committee**

A board resolution on 1 August 2012 approved the current text of the Regulations for the Control and Risks Committee (hereinafter the "Committee") (see Application Criterion 7.C.1.), making the Committee responsible for providing the Board of Directors with preliminary opinions on the following topics:

- a) definition of guidelines for the internal control and risk management system, in such a way that the main risks concerning the Issuer and its subsidiaries are accurately identified and adequately measured, managed and monitored, and determination of the degree of compatibility of such risks with management of the business in a manner consistent with the strategic objectives identified;
- b) assessment, at least annually, of the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of the business and the risk profile adopted;
- c) approval, on an annual basis, of the Audit plan prepared by the Manager of the Internal Audit function - having heard the opinions of the Board of Statutory Auditors and the responsible Director;
- d) assessment of the results presented by the legal auditor in the letter of recommendations concerning the fundamental matters that emerged during the legal audit - having heard the opinion of the Board of Statutory Auditors;
- e) appointment and revocation of the manager in charge of the Internal Auditing function and assessment of the adequacy of the available resources and the consistency of their remuneration with Company policy - on a proposal from the Responsible Director and having heard the opinion of the Board of Statutory Auditors.

In assisting the Board of Directors in the execution of the duties indicated above, the Committee:

- a) assesses, together with the Manager responsible for preparing company accounting documents and after consulting the legal auditor and the Board of Statutory Auditors, the proper and consistent application of the accounting policies adopted for the preparation of the consolidated financial statements;
- b) examines the semi-annual reports prepared by the Internal Audit function, concerning the assessment of the suitability of the internal control and risk management system, and any reports of particular significance that are the subject of discussion during the periodic meetings;
- c) examines the matters raised in the reports of the Supervisory Body and as a result of investigations and examinations conducted by third parties;
- d) performs the additional tasks attributed to it by the Board of Directors and, in particular, with regard to the related-party transactions expressly indicated by the Board of Directors - with the exception of those examined by the Committee composed of three independent and non-related directors envisaged by the procedure prepared in compliance with the CONSOB Regulation, expresses a reasoned but non-binding opinion concerning the interest of the Company in performing the transaction and the validity and substantial correctness of the conditions envisaged in relation to the types of transaction concerned;
- e) reports to the Board of Directors on a six-monthly basis on the activities performed and on the adequacy of the internal control system;
- f) expresses opinions on specific aspects concerning the identification of the main company risks.

The Committee carried out various activities during 2015, mainly in line with the requirements of the Code of Corporate Governance. In particular, the Committee:

- examined and approved the document defining the criteria to be used for carrying out the impairment test at 31/12/2014 and expressed its opinion in favor of submitting the document for approval by the Board of Directors;
- expressed its opinion in favor of updating the “related parties” database, in order to guarantee transparency and prompt information about any relationships existing with counterparts;
- reported to the Board on the work performed at the time of approving the 2014 financial statements;
- examined the results of the audit work carried out during 2015;
- examined the three-year Audit Plan for 2013-2015 prepared by the Internal Audit Manager, focusing on 2015, and expressed its opinion in favor of submitting the document for approval by the Board of Directors;
- examined the progress made by internal audit activities, with particular reference to compliance with Legislative Decree 231/2001 and Law 262/2005;
- assessed the independence, adequacy, effectiveness and efficiency of the internal audit function, and the consistency of its remuneration with Group policies, expressing a favorable opinion on these matters;
- examined the results of the compliance work carried out on certain protocols that are part of the Organizational Model required by Legislative Decree 231/2001, which were subsequently drawn to the attention of the Board of Directors;
- examined the “Report on the Organizational, Administrative and Accounting Systems” and approved the “Description of the key elements of the system of internal controls and assessment of their overall adequacy”, which are an integral part of the “Report on corporate governance and the ownership structure” for 2014;
- reviewed together with the “Manager responsible for preparing company accounting documents” his report on the adequacy of the system of internal controls over corporate information, which was used to prepare Annex 1 to the “Report on corporate governance and the ownership structure”;
- consulted the Auditing Firm and the Board of Statutory Auditors and, together with the Manager responsible for preparing company accounting documents, examined the results of the audit work performed on the financial statements and the proper and consistent application of the accounting policies adopted for the preparation of the consolidated financial statements for 2014;
- acknowledged that the audit work carried out the financial statements of Interpump Group SpA at 31/12/2014 did not identify any significant weaknesses on the system of internal controls pursuant to art. 19 of Legislative Decree no. 39/2010, as well as the adoption by E&Y of the directives and independence rules envisaged in art. 18 of Legislative Decree no. 39/2010, and the absence at this time of any independence risks;
- examined the project to adopt the new version of the COSO Framework and the consequent collection of data from the Group's subsidiaries, in order to identify any gaps in the set of controls required by the above Framework, with a view to aligning the system and rules of corporate governance of the subsidiaries with the development of the regulatory framework;
- examined the update of the Organization and Management Model adopted by Interpump Group S.p.A. pursuant to Legislative Decree no. 231/2001 to take account of the offenses introduced recently;
- examined the Reports on the activities carried out during the first half of 2015 by the Supervisory Body of Interpump Group S.p.A.;
- acknowledged the progress made on work to comply with arts. 36/39 of the Market Regulations;
- highlighted the need to carry out Control Risk Self Assessments, in order to assess more frequently the compatibility of the overall exposure with the level of risk that the Group is willing to accept in the achievement of its business objectives, expressing its opinion in favor of carrying out "variable scope" checks every year, based on the risk factors and geographical areas of interest that are identified from time to time;
- consulted the Auditing Firm and the Board of Statutory Auditors and, together with the Manager responsible for preparing company accounting documents, examined the results of the audit work performed on the 2015 half-year financial report and the proper application of the accounting policies adopted;
- examined the changes contained in the new version of the Code of Corporate Governance dated July 2015, with particular reference to the system of internal controls and the management of risks;



- acknowledged the summary prepared on the related-party transactions expected in 2016.

The Committee meetings were properly minuted (Application Criterion 4.C.1.d)).

In the execution of its functions the Committee is entitled to access the necessary information and corporate functions and to make use of external consultants as necessary, according to the terms established by the Board of Directors (Application Criterion 4.C.1. e)).

The Board of Directors has assigned a budget of Euro 40 thousand to the Committee for its activities.

The Control and Risks Committee also performs the functions of the Committee for Transactions with Related Parties.

The Committee did not address specific matters during 2015, except with regard to the creation of a database of related parties. In addition, an update meeting was held on 15 October 2015 with regard to the routine and other transactions in progress with related parties. That meeting was only held for information purposes and did not relate to any specific matters.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The internal control and risk management system adopted by Interpump Group S.p.A. (the "System") comprises a collection of rules, procedures and organizational structures designed to allow the principal risks to be identified, measured and monitored.

An effective system of internal control and risks management contributes to the running of the business in a manner consistent with the corporate objectives defined by the Board of Directors, thus facilitating the making of informed decisions.

Consistent with the principles set out in art. 7 of the Code of Corporate Governance, *the System involves, each to the extent of its responsibilities:*

- a) the Board of Directors (Board), which is responsible for defining guidelines for the control system, in line with the risk profile of the Issuer determined by the Board. The Board is also responsible for assessing the adequacy of the control system and its proper functioning, as well as for examining the periodic financial reports;
- b) the executive director responsible for supervising the System, who ensures that the principal risks are identified and checks periodically on the adequacy of the related process, implementing the guidelines issued by the Board;
- c) the Control and Risks Committee (CRC), which provides support for Board decisions and assessments on internal control and risk management matters, as envisaged in art. 7.C.2. of the Code of Corporate Governance;
- d) the Internal Audit function, which performs third-level controls. The Internal Audit function reports hierarchically to the Board of Directors, in the person of the executive director responsible for supervising the System, and functionally to the CRC and is tasked with checking the effective operation and suitability of the System.

The duties of the other components of the System, such as the Board of Statutory Auditors, the Supervisory Body, the Independent Auditors and the Manager responsible for preparing company accounting documents, are described in the following paragraphs. In this regard, the Company is considering the creation of a compliance function to coordinate the control of legal and non-conformity risks.

In compliance with art. 7.C.1. of the Code of Corporate Governance, the Board of Directors of Interpump Group S.p.A. has defined guidelines for the internal control and risk management system, considering all risks that may be significant in terms of the medium/long-term sustainability of the activities of the Issuer, that are consistent with the characteristics of the business and the level of risk compatible with the Issuer's strategic objectives (see Application Criterion 1.C.1. b)).

This translates into the control of company risks by:

- Risk management;
- "Tier 1" rules;
- Governance structures;
- Policies and procedures;
- Suitable information about non-EU subsidiaries.

#### Risk management

The risk assessment process used by Interpump Group S.p.A. is based on a risk self-assessment coordinated by the Internal Audit function and carried out by the risk owners - being the top management of the Group's principal companies. This work is then certified by the executive director responsible for the System, in order to align the various risk assessments made by management. Accordingly, this is a bottom-up process.

The analysis starts from a catalog of risks developed specifically for the Group, based on the typical business areas and the common operating and compliance issues. The risks examined, being all those that may be significant in terms of the medium/long-term sustainability of the activities of the Issuer (see Application Criterion 1.C.1. b)), are classified as strategic, financial, compliance or operational.

The assessment carried out did not identify any areas of importance with control weaknesses.

#### "Tier 1" rules

The Code of Ethics lays down the ethical obligations and responsibilities in the business operations and activities of Interpump Group's personnel, whether directors or employees of any kind, and of all individuals engaging, in both official and unofficial capacities, in representation, administration, management or control functions for the company or its subsidiaries.

The Organizational and Management Model adopted by Interpump Group S.p.A. pursuant to Legislative Decree 231/01 ("231 Model"), constitutes, together with the Code of Ethics, an additional valid instrument for promoting awareness among all employees and all those who collaborate for various reasons with the Company, in order to ensure adherence, in the execution of their activities in pursuit of the corporate objects, with correct and transparent forms of conduct in line with the Company's ethical-social values and such, in any event, as to prevent the risk of committing the offenses contemplated by the Decree. All companies in the Interpump Group has adopted the Code of Ethics, while the 231 Model has been implemented where considered more relevant, after assessment using the same methodology of the risk of committing the above-mentioned offenses.

The System is further strengthened by the protocols/procedures adopted following the introduction of Law 262/2005 as amended, in order to protect the connection between operative aspects and their representation in the accounts and maintain an adequate and effective system of internal control over Financial Reporting.

#### Governance structures

The organizational charts and the system of powers and mandates are drawn up with the specific aim of clearly defining all roles and responsibilities in the context of the management and control processes.

The division of duties is integrated in the decision-making processes assigned for procurement and representation of the company, based on a detailed identification of each activity assigned and clearly defined limits for mandates that can be exercised in accordance with specific regulations (sole or joint signature).

#### Policy and procedures

Policies and procedures are subdivided into two groups: "operational" and "compliance".

The operational policies and procedures include: the accounting manual for the preparation of the annual financial statements and the quarterly reports in accordance with international accounting standards; the administrative and accounting procedures prepared in compliance with Law 262/2005; and the financial policy for the management of liquidity, counterpart, exchange-rate and interest-rate risks.

The compliance policies and procedures include: the procedures on internal dealing, the 231 Model for Interpump Group S.p.A. and those Italian subsidiaries for which the risk of committing offenses was considered relevant, and the procedures for transactions with related parties.

### Information about non-EU subsidiaries (articles 36-39 Markets Regulation)

In compliance with the above articles, Interpump Group S.p.A. has adopted an internal procedure that requires said companies to self-certify, on a quarterly basis, the completeness of their accounting information, the controls put in place and their commitment to provide the auditors with the necessary information. Monitoring tests are conducted in relation to the controls put in place, which vary in accordance with the size and complexity of the company concerned.

### **Adequacy of the internal control and risk management system**

In reports dated 4 August 2015 and 9 February 2016, the Chairman of the Control and Risks Committee described the activities of the Committee to the Board of Directors, expressing a positive opinion on the overall suitability of the internal control and risk management system to contain appropriately the overall level of risk in relation to the pursuit of the Group's objectives and deferring the final opinion to the assessment of the Board of Directors.

Considering the reports of the Chairman of the CRC, the information provided by the executive director responsible for the System and the reports on the work performed by the Internal Audit function, the Board concurred with the opinion expressed by the Chairman of the CRC and considers the System, covering all those risks that may be significant in terms of the medium/long-term sustainability of the activities of the Issuer (see Application Criterion 1.C.1. b)), to be adequate overall, having regard for the characteristics of the business and the risk profile adopted, as well as effective and functioning in practice.

## **11.1 EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

At the meeting held on 30 April 2014, the Board of Directors confirmed the mandate and related powers granted to the Deputy Chairman and Chief Executive Officer, Paolo Marinsek, to ensure the functioning and adequacy of the internal control system as required by Principle 7.P.3.a), (i) and Application Criterion 7.C.4. of the Code of Corporate Governance.

In accordance with Application Criterion 7.C.4., during 2015 the appointed executive director:

- highlighted the need to carry out Control Risk Self Assessments, in order to assess more frequently the compatibility of the overall exposure with the level of risk that the Group is willing to accept in the achievement of its business objectives, expressing its opinion in favor of carrying out "variable scope" checks every year, based on the risk factors and geographical areas of interest that are identified from time to time;
- implemented the guidelines defined by the Board of Directors, supervising the planning, creation and management of the internal control and risk management system and checking its adequacy and effectiveness on a regular basis. In this regard, he examined the reports of the Manager of the Internal Audit function and the minutes of the Control and Risks Committee;
- ensured adaptation of the above system to changes in operating conditions and the legislative and regulatory framework.

The appointed executive director received the reports of the Manager of the Internal Audit function and the minutes of the Control and Risks Committee, whose meetings he attended, in order to monitor the operation of the internal control system in relation to the level of risk considered appropriate in order to accomplish the established objectives.

## **11.2 MANAGER OF THE INTERNAL AUDIT FUNCTION**

Pursuant to the Code of Corporate Governance, at the meeting held on 30 April 2014 the Board of Directors, acting on a proposal from the executive director responsible for the System, after receiving a favorable opinion from the CRC, confirmed the appointment of Francesca Manzotti as Manager of the Internal Audit function (Principle 7.P.3.) with responsibility for checking that the internal control and risk management system is operational and adequate (Principle 7.P.3. b)). The Board also determined the remuneration of the Manager of the Internal Audit function in compliance with company policies and

ensured that the manager has adequate resources for the execution of her responsibilities (Application Criterion 7.C.1., second part).

At the meeting held on 1 August 2012, the Board of Directors approved guidelines for the activities performed by the Internal Audit function. These guidelines envisage, consistent with Application Criterion 7.C.5, that inter alia the manager of the Internal Audit function:

- is not responsible for any operating areas and reports hierarchically to the Board of Directors (Application Criterion 7.C.5. b));
- checks, both continuously and in relation to specific needs, the operation and suitability of the internal control and risk management system, by means of an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritization of the principal risks (Application Criterion 7.C.5. a)). The audit plan includes checking the reliability of the information systems (Application Criterion 7.C.5. g));
- has access to all the information needed to fulfill her duties (Application Criterion 7.C.5. c));
- prepares periodic reports containing adequate information about her activities, the basis on which risk management activities are carried out and on compliance with the plans established for the containment of risk. The above periodic reports contain an assessment of the suitability of the System and are prepared on a timely basis if events of particular significance arise. These reports are transmitted to the Chairmen of the Board of Statutory Auditors, the Control and Risks Committee, and the Board of Directors, as well as to the executive director responsible for the System.

The Board of Directors has assigned an annual budget of Euro 40 thousand to the Internal Audit function for its activities.

The activities of the Internal Audit function during 2015 were carried out in line with the Audit Plan, which envisages: compliance audits pursuant to Legislative Decree 231/2001 and Law 262/2005, and operational audits in particular areas of activity. Consistent with the Audit Plan, the Internal Audit Manager checked the accounting systems used with a view to improving the reliability of the Company's information systems. In addition, the Internal Audit function continued to monitor the management of key risks during 2015, partly by following up the improvement plans established by management.

At the meeting held on 9 February 2016, the Control and Risks Committee was appropriately informed about the outcome of the activities of the Internal Audit function during the second half of 2015, via the Report on the suitability of the internal control and risk management system.

The Manager responsible for preparing company accounting documents was appropriately informed about the activities of the Internal Audit Manager pursuant to Law 262/05 during 2015, via both the six-monthly reports on the adequacy of the control model implemented for Law 262 purposes, and the outcome of the tests carried out in this regard by the Internal Audit function.

The Report of the Manager of the Internal Audit function was examined by the Board of Directors at the meeting held on 12 February 2016.

The Internal Audit function was established on 28 June 2000. In line with the requirements of Application Criterion 7.C.6., we draw your attention to the fact that the Internal Audit function has not been delegated to third parties, neither in its entirety nor for specific segments of operations.

### **11.3 ORGANIZATIONAL MODEL pursuant to Legislative Decree 231/2001**

Interpump Group S.p.A. implements the Organizational Model adopted pursuant to Legislative Decree 231/2001 (the "Model") by the Board of Directors on 22 January 2004, that was updated today in order, among other matters, to:

- take account of the amendments made to the text of Decree 231/2001, with particular reference to self money-laundering, environmental offenses and false corporate communications;
- take account of the recent changes made to the Confindustria guidelines;

- align the documentation with the provisions of the UK Antibribery Act and related guidance;
- align the documentation with the forthcoming regulations on whistle-blowing reports.

The 231 Model comprises:

- a General Part, describing the profile of the Company, the relevant regulations, the underlying principles and key components of the Model (system of corporate governance, internal control and risk management system, proxy chart), the functions of the Model, the methodology adopted for the creation of the Model, the structure of the Model, its recipients;
- Special Parts on specific types of offense that theoretically may be committed having regard for the profile and activities of the Company, describing the procedures and control activities designed to prevent and monitor the risk of committing offenses;
- the Code of Ethics, presented in full in an Annex since it is an integral part of the Model, given that it expresses the general principles and values that must guide the activities of all those who, for whatever reason, work for Interpump Group S.p.A. The Bylaws and the disciplinary system are also attached.

The Supervisory Body of the parent company comprises an external consultant as Chairman and the Manager of the Internal Audit function of Interpump Group S.p.A.

Each member meets the autonomy, independence, integrity, professionalism and competence requirements envisaged in the Regulations of the Supervisory Body and required by Decree 231/01.

The Company has decided not to assign the functions of the Supervisory Body to the Board of Statutory Auditors, thus maintaining, until expiry of the current mandate at the Shareholders' Meeting called to approve the financial statements at 31 December 2016, the current structure with three Bodies (Control and Risks Committee, Supervisory Body and Board of Statutory Auditors). The situation will be reviewed at the next renewal of the corporate bodies, based on the trends and best practices identified.

At the meetings held during the year, the Supervisory Body checked that the Model is constantly updated to reflect the regulations, analyzed the solidity and functionality requirements, and the methods of implementation, and checked the supervisory activities carried out by the Internal Audit function on behalf of the Supervisory Body.

During the year, no violations of laws were identified that would result in penalties being imposed pursuant to Legislative Decree 231/01.

An excerpt of the Model can be downloaded from the Interpump Group S.p.A. website: [www.interpumpgroup.it/Governance/Model of Organization](http://www.interpumpgroup.it/Governance/Model_of_Organization).

We draw your attention to the fact that the Model has been extended to include the Italian strategic subsidiaries which, in consideration of their size and organizational complexity, are subject to a relevant level of risk with respect to the offenses contemplated by Legislative Decree 231/2001. With regard to the foreign companies, the implementation of a compliance program is being assessed that would establish a minimum set of controls applicable to the different entities within the Group.

#### **11.4 INDEPENDENT AUDITORS**

Based on a reasoned proposal from the Board of Statutory Auditors, the Shareholders' Meeting held on 30 April 2014 appointed E&Y, an auditing firm, to audit the separate and consolidated financial statements pursuant to Legislative Decree 39/2010 for the nine-year period 2014-2022.

#### **11.5 MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS AND OTHER COMPANY ROLES AND FUNCTIONS**

The Bylaws define the method of appointing the Manager responsible for preparing accounting documents ex art. 154 (2) of the Consolidated Finance Act, assigning the related responsibility to the Board of Directors, further to consultation with the Board of Statutory Auditors. With regard to professional

requirements, the Manager responsible for preparing company accounting documents must possess the same attributes of integrity required of statutory auditors, an adequate level of theoretical training, and must have specific skills acquired through work experience, of adequate duration and significance, in the areas of "administration" and/or "finance" and/or "governance". At the meeting held on 7 August 2007, the Board of Directors appointed Carlo Banci, Group CFO, as the Manager responsible for preparing company accounting documents (Responsible Manager) until the time of any revocation of this office decided by the Board of Directors.

The Responsible Manager has been granted the following powers:

- unrestricted access to all relevant information in order to perform his duties, both in the context of the company and in the context of other group member companies;
- participation in the meetings of the Board of Directors convened to discuss the matters included among those for which duties are assigned to the Manager in Charge whenever such meetings are requested in writing by two or more directors at least two working days prior to the date scheduled for the board meeting, on the understanding that the participation of the Manager in Charge will be limited to the matters strictly of his competence;
- the entitlement to interview each delegated administrative body and controlling body of the company in relation to the matters falling within his specific areas of competence;
- the entitlement to participate in the approval, jointly with the other delegated administrative bodies, of the company's administrative and accountancy procedures concerning the formation of the annual financial statements, the interim report and the consolidated financial statements or the drafting of other financial documents for which the Manager is responsible for drafting company accounting documents is required to issue, jointly with the competent delegated administrative bodies, the attestations envisaged by art. 154-(2) TUF;
- the entitlement to perform checks on company administrative and accounting procedures, to propose structural changes to said procedures and the components of the internal control systems that are considered to be inadequate, and, in the case of failed implementation of the recommended changes, to inform the Board of Directors and ensure the relative countermeasures are adopted in the context of the directives received from the Board;
- participation in the structuring of the information systems and the relative procedures that can impact on the economic, equity and financial situation of the company and the Group member companies;
- adoption of procedures relative to the channeling of information flows in respect of the Responsible Manager.

The following means have been attributed to the Responsible Manager:

- the authority to dispose of an annual expenses budget of €25,000, with the specification that the annual budget can, wherever necessary and so requested by the Manager in Charge, be increased further to a deliberation of the Board of Directors or on the authorization of the Chief Executive Officer;
- the authority to organize an adequate structure in the context of his area of activity, utilizing wherever possible and in a priority manner the resources already available internally, and wherever necessary making use of personnel to be hired, in agreement with the Chief Executive Officer and/or external consultants;
- the authority to utilize the Internal Auditing function for mapping and analysis of the processes of his competence and in the stage of execution of specific checks;
- the authority to utilize information systems in the context of and within the limits of his specific competences.

There are no other roles or company functions having specific duties in relation to internal control and risks management (Principle 7.P.3. c)).

## **11.6 COORDINATION AMONG PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The parties involved in the internal control and risk management system are as follows:

- a) the Board of Directors, which provides guidance and assesses the adequacy and effective functioning of the internal control and risk management system, considering the risks that may be significant in terms of the medium/long-term sustainability of the Issuer. The Board has identified from among its members:
  - i. a director responsible for the constitution and maintenance of an effective internal control and risk management system (see previous chapter 11.1) and
  - ii. a Control and Risks Committee (see previous chapter 10) with the task of supporting, with an adequate investigative activity, the assessments and decisions of the Board of Directors in relation to the internal control and risk management system, and those relative to the approval of the periodic financial reports;
- b) the Manager of the Internal Audit function, charged with checking that the internal control and risk management system is functional and adequate (see previous chapter 11.2);
- c) the Manager responsible for preparing company accounting documents (see previous chapter 11.5).

Finally, there is the Board of Statutory Auditors, which supervises over the efficacy of the internal control and risks management system (see following chapters 13 and 14).

The company has provided for the following methods of coordination between the above listed parties in order to maximize the efficiency of the internal control and risks management system and reduce the duplication of activities (see Application Criterion 7.C.1. d)):

- the current regulation of the Control and Risks Committee envisages that the work of the Committee be assisted by the Chairman of the Board of Statutory Auditors or a statutory auditor designated by the latter; however, the other members of the audit body can also participate. Moreover, the executive director responsible for the System is invited to attend the meetings, while parties who are not members such as the Responsible Manager can also participate on invitation from the Committee;
- the semi-annual report on the activities of the Control and Risks Committee is submitted to the Board of Directors and the Board of Statutory Auditors;
- the current mandate of the Internal Audit function envisages that semi-annual reports be prepared concerning the methods used to conduct risk management activities and the suitability of the internal control and risk management system, and that timely reports be issued in relation to events of particular significance. These reports are sent to the members of the Control and Risks Committee, to the Chairmen of the Board of Statutory Auditors and the Board of Directors, and to the executive director responsible for the internal control and risk management system;
- the semi-annual report on the activity of the Internal Audit function is forwarded to the Board of Directors and the Board of Statutory Auditors.

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

In relation to the interests of directors and Transactions with Related Parties, at its meeting held on 28 September 2010, the Board of Directors resolved to set up the Committee for the Procedure for Transactions with Related Parties (Procedure) following approval of CONSOB Regulation no. 17221 of 12/3/2010 in implementation of art. 2391-(2) of the Civil Code. The Committee has examined the draft Procedure of the Interpump Group, issuing a favorable opinion for its approval, which was granted by the Board of Directors on 10 November 2010 (see Principle 9.P.1 and Application Criteria 9.C.1. and 9.C.2.), in application of the new rules on this matter. The Procedure has been applied since 1 January 2011. Subsequently, on 18 March 2014, the Board of Directors approved certain amendments to the Procedure have obtained a favorable opinion from the Committee at a special meeting. Among others, these amendments changed the thresholds for identifying immaterial transactions. The Committee did not address specific matters during 2015, except with regard to the creation of a database of related parties. In addition, an update meeting was held on 15 October 2015 with regard to the routine and other transactions in progress with related parties. That meeting was only held for information purposes and did not relate to any specific matters. On that date, the above Committee, whose functions are carried out by the Control and Risks Committee, comprised the following independent directors: Paola Tagliavini, Stefania Petruccioli and Franco Garilli.

Consistent with the requirements of the Code of Ethics, the purpose of the above Procedure is to ensure, both in substance and procedurally, the transparency and propriety of any Transactions with Related Parties not carried out on market terms, in order to safeguard the greater interests of the Company.

In principle, these transactions may only be carried out if strictly necessary, in the interests of the Company and subject to the above requirements. The Procedure for Transactions with Related Parties includes the following aspects:

- assigns the functions of the Committee for Transactions with Related Parties to a Committee comprising three independent, non-executive directors;
- does not extend application of the Procedure to parties other than those envisaged in Annex 1 to the Consob Regulation (which refers to IAS 24 at the publication date of the Regulation);
- fixes at Euro 100,000 or Euro 500,000 on an annual basis, with regard to natural and legal persons respectively, the threshold for immaterial transactions excluded from application of the new Procedure, since it was considered that transactions with a value below this threshold do not represent a risk for the Company. In addition, the allocation of remuneration and economic benefits, in whatsoever form, to a member of an administrative or control body or to a Manager with Strategic Responsibilities is deemed to be an immaterial transaction if the amount is less than Euro 300,000 on an annual basis;
- excludes from application of the new Procedure any resolutions (other than those adopted pursuant to art. 2389, subsection 3, of the Civil Code) regarding the Directors assigned special duties and the Managers with strategic responsibilities;
- makes recourse to the option to exempt routine and intercompany transactions;
- specifies rules for assessing the transactions of lesser and greater Significance carried out directly by Interpump Group S.p.A. or via subsidiaries;
- determines the organizational controls and information flows considered necessary in order to ensure that the competent bodies are given complete, useful and timely information, so that they can assess the transactions concerned.

The Procedure is available on the website of Interpump Group S.p.A.

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

Art. 19 of the Bylaws establishes that in order to ensure that minority parties are able to elect one statutory auditor and one alternate auditor, the Board of Statutory Auditors must be appointed on the basis of a list vote. In the measure in which it is envisaged by the legal provisions in force time by time, the appointment of auditors is performed on the basis of criteria that ensure gender balance. For the presentation of a list the same minimum percentage of capital required for the appointment of directors is required, i.e. 2.5%, without prejudice to a possible different maximum percentage established by statutory legislation and the regulations in force time by time. The percentage is halved if, in the ordinary term of fifteen days prior to the date of the Shareholders' Meeting convened to make the appointment, a single list has been presented, or exclusively lists presented by reciprocally connected shareholders; in this case lists can be submitted only up to the fifth day following said date. Each shareholder intending to propose candidates for the position of auditor must deposit at the company's registered office, at least fifteen days before the date set for the Shareholders' Meeting that among other matters must resolve on the appointment a) a list of candidates composed of two sections: one for candidates for the position of statutory auditor, and the other for candidates for the position of alternate auditor. At least one candidate must be indicated in the section concerning statutory auditors and at least one in the section concerning alternate auditors. If, considering both sections, the list contains a number of candidates equal to or greater than three, it must contain, in the statutory auditors section, candidates of both genders in accordance with the matters specified in the notice of convocation of the Shareholders' Meeting in order to ensure compliance with statutory legislation concerning gender balance; if the section concerning alternate auditors contains two candidates, said candidates must be of different genders. Each of the candidates of each section must be associated with a sequential number; and b) a curriculum vitae of each candidate, containing: (i) full information about each candidate's personal and professional characteristics; (ii) the list of the appointments as a member of the board of directors or the board of statutory auditors held by the candidate auditor in other companies or organizations, if significant in compliance with the statutory regulations concerning cumulative limits of



offices held; (iii) the declarations of each candidate whereby they express their willingness to accept the appointment in the event of election and attesting, under their personal responsibility, to the absence of any causes for ineligibility or incompatibility, the possession of the requirements of integrity, professionalism and independence specified by statutory provisions, and the existence of any additional requirements prescribed for the office, either in law or in the Bylaws; (iv) a list of the shareholders submitting the list of candidates, with their name, company name or denomination, headquarters, number of enrollment in the Business Register or equivalent, and the overall percentage of the capital they hold, accompanied by a certificate that shows the ownership of said shareholding and a declaration in compliance with the declaration required by art. 144(6), subsection 4, letter b) of CONSOB Regulation no.11971 dated 14/5/1999 as amended, attesting to the absence of relations of association ex art. 144(5) of the same CONSOB Regulation.

Also the specific certificate issued by an authorized broker, proving ownership, at the time of filing of the list with the Company, of the number of shares necessary for submission of the list, must be filed within the term envisaged by statutory regulations. Those submitting a list intended to obtain the highest number of votes are obliged to include a sufficient number of candidates in the list and also the minimum number of candidates in possession of any special requirements of professionalism or of other matters that are not required by statutory regulations for all auditors, and to act in such a way as to ensure that the composition of the list complies with the proportionality criterion for gender balance prescribed by statutory legislation.

The office of statutory auditor or alternate auditor of the company cannot be assigned, and if appointed the office will be automatically withdrawn, to persons who: (i) already hold appointments as members of the board of directors or board of statutory auditors of other companies or organizations in excess of the limits established by statutory regulations concerning the accumulation of appointments, and those subject to causes of ineligibility or incompatibility; (ii) lack the requirements of integrity, professionalism, and independence specified by statutory regulations, or lack any additional requirements prescribed for the office, either in law or in the Bylaws.

With regard to the election system, the procedure will be as follows: a) two statutory auditors and one alternate auditor will be taken, on the basis of the sequential number with which the candidates are listed in the respective sections of the list, from the list that receives the highest number of votes; from the same list all the auditors of the less represented gender will also be taken as required by statutory legislation concerning the gender balance, except in the event wherein the remaining auditor, taken from the list that received the second highest number of votes, is of the less represented gender: in this case all auditors of the less represented gender, as required by statutory legislation, will be taken from the list that obtained the highest number of votes, except for one; b) the remaining statutory auditor and the remaining alternate auditor will be taken from the list that obtains the second highest number of votes, these persons being those indicated with the first sequential number in the respective sections of the list, without prejudice to the matters established in the preceding letter a) concerning gender balance. The candidate indicated with the first sequential number in the statutory auditors section will be the chairman of the Board of Statutory Auditors; c) in the case of an equal number of votes (i.e. if two lists both receive the highest number of votes or the second highest number of votes), if this situation of parity occurs for lists that have both obtained the second highest number of votes, the candidate of the list that has obtained the vote of the highest number of shareholders will be appointed, while in all other cases the Shareholders' Meeting will repeat the ballot, with a slate vote, for appointment of the entire Board of Statutory Auditors; d) the auditors taken from the lists will be elected in accordance with the criteria indicated under the foregoing letters a), b) and c), without prejudice to the provisions of the following letters e) and f); e) if a single list is duly submitted, all the auditors to be appointed will be taken from said list, always in compliance with statutory legislation concerning gender balance. The candidate indicated with the first sequential number in the statutory auditors section will be the chairman of the Board of Statutory Auditors; f) if the list that has obtained the second highest number of votes receives the vote of one or more shareholders considered to be associated, in accordance with the terms of the previous subsection 9, with one or more shareholders who have submitted (or joined in submitting) the list that obtained the highest number of votes, said votes will not be counted. Consequently, if without considering such votes another list emerges as the second most voted list, the remaining statutory auditor and the remaining alternate auditor will be the candidates with the first sequential number appearing in the respective sections of said other list; g) if no list is submitted or admitted or if, for any reason, the appointment of one or more auditors cannot be performed in accordance with the provisions of this subsection 10, the Shareholders' Meeting will pass a resolution with the

majorities prescribed by law, ensuring anyway compliance with statutory legislation concerning gender balance.

## **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS** (ex art. 123-(2), subsection 2, letter d), TUF)

Statutory auditors act autonomously and independently, even in relation to the shareholders who elected them (Principle 8.P.1.).

The Shareholders' Meeting held on 30 April 2014 appointed the current Board of Statutory Auditors for the three-year period 2014-2016, until approval of the 2016 financial statements, comprising: Pierluigi de Biasi, Chairman, Paolo Scarioni, Statutory Auditor and Alessandra Tronconi, Statutory Auditor.

As envisaged in art. 19 of the Bylaws, the Chairman was the first candidate on the minority list that obtained the largest number of votes, being the list presented by Amber Southern Europe Equity Limited, an investment fund.

The Board of Statutory Auditors met 9 times during 2015. The average participation of its members was 93% and the average duration of each meeting was 2 hours. A total of 8 meetings are scheduled for 2016.

Statutory Auditors who, either personally or on behalf of third parties, have an interest in a given transaction, are required to provide the other Statutory Auditors and the Chairman of the Board of Directors with an exhaustive and timely account of the nature, terms, origin and extent of this interest (Application Criterion 8.C.3.).

A concise resume of each member of the Board of Statutory Auditors in office is given below:

### ***Pierluigi De Biasi***

Born in Milan on 30 July 1956, he graduated with maximum marks in Law from Milan University in 1980, presenting a dissertation on Civil Law. He qualified as a Lawyer in 1983 and was admitted to practice before the higher jurisdictions. He gained experience with Avv. Spreafico and, from 1984 to 1987, worked with Baker & McKenzie in Milan. Since 1987 he has practiced independently including, between 1994 and 2007, the practice of De Biasi & Rapini. Now he has an "of counsel" role with Gattai, Minoli & Partners in Milan. His professional experience has included M&A, Private Equity and financial instruments. He is a legal advisor for ASSOSIM – Associazione Italiana Intermediari Mobiliari and for AIFI – Associazione Italiana del Private Equity e del Venture Capital. He has been a statutory auditor and director of several listed and other companies. In particular, in the period 2007 – 2010 he was Chairman of the Board of Statutory Auditors of Permasteelisa S.p.A. and Banca Italease S.p.A., as well as an independent director of Guala Closures S.p.A., which are listed on Borsa Italiana. Now he is the Chairman of the Board of Statutory Auditors of a stockbroking firm and certain companies that are not listed, as well as the Deputy Chairman of Sorigenia S.p.A. He is Chairman of the 231 Supervisory Body of Siram S.p.A. From the 1998-1999 academic year to 2006-2007, he was contract Professor in the Law of Financial Intermediaries at Siena University's Faculty of Economics. From the 2002-2003 academic year he lectures on the second-level Masters Degree in Merchant Banking at the LIUC University, Castellanza. He has lectured on Masters courses organized by the Cattolica Universities in Bologna, Pisa and Siena and on Doctorate courses organized by the Universities of Foggia and Siena. He is the author of three monographs and around thirty essays on banking, commercial and bankruptcy law, and has spoken at several conferences on banking and bankruptcy matters.

### ***Paolo Scarioni***

Born in S. Angelo Lodigiano (LO) on 3 March 1963. Graduate in Economics and Commerce with full marks from Pavia University. Italian Public Accountant and legal auditor. In 1998, after about nine years with Studio di Consulenza Legale e Tributaria di Milano (then a correspondent firm of Arthur Andersen, an auditing firm), he founded his own firm with other colleagues which he left in 2013 to form Studio Tributario Associato Scarioni Angelucci, based in Milan. This firm currently employs about 10

professionals and works primarily in the field of tax consultancy and assistance for companies and private taxpayers.

### ***Alessandra Tronconi***

Born in Forlì (FC) on 24 July 1967. Graduate in Economics and Commerce with full marks from Bologna University. Italian Public Accountant and legal auditor. On graduation, she joined Studio Associato, Consulenza Legale e Tributaria and, in 2003 at 36 years of age, she became a Partner with responsibility for the Bologna office of Studio Associato, Consulenza Legale e Tributaria (associated with KPMG). This firm currently employs about 30 professionals and works primarily in the field of tax and legal consultancy and assistance for companies. Since 2011, she has lectured on the Masters course in Tax Law “A. Berli” – Alma Mater Studiorum – University of Bologna, academic years 2011-2012; 2012-2013; 2013-2014; 2014-2015.

The appointments as statutory auditor or director (Application Criterion 1.C.3.) held by the members of the Board of Statutory Auditors of Interpump Group S.p.A. in other listed companies or in significant companies as defined by the Code of Corporate Governance are as follows: **Pierluigi De Biasi**: Finance companies: Amber Capital Italia SGR S.p.A. (investment management company); **Alessandra Tronconi**: Unlisted companies of significant size: statutory auditor of Perimetro Gestione proprietà Immobiliari S.C.P.A. (real estate company).

At the meeting held on 30 April 2014, the Board of Directors assessed and determined that the statutory auditors satisfy the independence requirements envisaged in art. 148, subsection 3 TUF. At the meeting held on 12 February 2016, the Board of Statutory Auditors checked the continuing independence of its members, applying all the criteria envisaged in the Code with regard to the independence of directors.

All the members of the Board of Statutory Auditors meet the requirements of integrity, professionalism and independence envisaged by the law and the current Code of Corporate Governance.

The Board of Statutory Auditors performs the supervisory tasks assigned by current laws and regulations and monitors compliance with the law, the Bylaws and the principles of proper administration and, in particular, checks the adequacy of the organizational, administrative and accounting systems adopted by the Company and their functioning in practice, as well as the practical application of the corporate governance rules envisaged by the relevant regulations. The Board of Statutory Auditors also monitors the independence of the auditing firm.

It is standard practice in the Interpump Group for the statutory auditors to ask the Internal Audit function to carry out checks on specific operating areas or organizational functions, sharing key information that is essential in order to fulfill their respective duties with the Control and Risks Committee (Application Criteria 8.C.4. and 8.C.5.).

## **15. RELATIONS WITH SHAREHOLDERS**

Relations with shareholders are managed directly by the company's top management.

The financial community is given many opportunities to meet and discuss matters with the Company, as part of constant, transparent and continuous communications. Events dedicated to financial analysts, conference calls and meetings with shareholders and investors are held in the principal financial centers and at the Company's headquarters. With a view to keeping open and constant and beneficial channel for financial communications, a special section of the Company's website ([www.interpumpgroup.it](http://www.interpumpgroup.it), Investor Relations and Press Releases) is used to publish useful information, such as: annual reports and interim reports on operations, presentations to analysts, stock prices and press releases.

The Investor Relations function is entrusted to Paolo Marinsek, Deputy Chairman and Chief Executive Officer of the Group, and to Carlo Banci, CFO of the Group.

## **16. SHAREHOLDERS' MEETINGS (ex art. 123-(2), subsection 2, letter c), TUF)**

The provisions of the Bylaws concerning the Shareholders' Meeting are as follows:

**Art. 6)** 1. The duly constituted Shareholders' Meeting represents all the shareholders, and its resolutions, passed in accordance with the law and the present Bylaws, are binding on all the shareholders. The Shareholders' Meeting is either ordinary or extraordinary in accordance with the law (art.2364 and 2365 of the Italian Civil Code) and can be convened, within the Country, also in places other than the Company's registered office. ...The Ordinary Shareholders' Meeting approves and - where necessary - amends the "Shareholders' Meeting regulations", which govern the methods of execution of the proceedings of the meetings...

2. The Company, adopting the faculty provided by law, does not appoint the representative pursuant to art. 135-(11) of Decree no. 58 of 24 February 1998, unless the Board of Directors, for a specific Shareholders' Meeting, has resolved said designation, communicating the fact in the notice of convocation of the Meeting concerned.

**Art. 7)** Each share carries the right to one vote.

**Art. 8)** In compliance with statutory legislation, the Shareholders' Meeting is open to the participation of holders of voting rights who submit, in accordance with the methods established in the notice of convocation, an appropriate communication issued in compliance with statutory legislation by the broker within the term envisaged by said statutory legislation.

**Art. 9)** Each shareholder with voting rights is entitled to participate in the Shareholders' Meeting, and can be represented by conferring a proxy on other persons including non-shareholders, in compliance with the provisions of articles 135(9) et seq. of Decree no. 58 of 24 February 1998, and the related implementing provisions. The proxy can be conferred electronically and can be notified to the company by transmission of the document to the e-mail address indicated in the notice of convocation.

It is anyway the faculty of the Chair of the Meeting to establish the proper execution of the proxies and, in general, the entitlement to participate in the Meeting.

**Art. 10)** The Shareholders' Meeting is presided over by the Chairman of the Board of Directors or, if this person is not available, by the most senior Deputy Chairman in terms of age (if appointed) or, in the absence of this latter, by another person elected by the Shareholders' Meeting.

The Meeting appoints a secretary, chosen also from among parties who do not hold voting rights. The secretary may choose two scrutineers if such action is considered appropriate.

**Art. 11)** The ordinary and extraordinary Shareholders' meeting is held in a single convocation, unless the Board of Directors, in relation to a specific shareholders' meeting, should resolve to specify the date for the second and, if necessary, the third call, disclosing said information in the notice of convocation. The Shareholders' Meeting is duly constituted and its resolutions are valid with the quorums established by law.

The terms of the following article 14, par. 2, and article 19, shall be applied for the appointment of directors and auditors.

**Art. 12)** The ordinary Shareholders' Meeting must be convened at least once a year, within one hundred and twenty days from the end of the corporate year, or within one hundred and eighty days in the event that the provisions of law allow the application of said longer term.”

The Bylaws also assign to the Board of Directors, rather than the Shareholders' Meeting, responsibility for mergers and spin-offs in all cases in which the law permits that such decisions be taken by the administrative body in place of the Shareholders' Meeting; the establishment and closure of secondary offices; the indication of which directors shall be granted powers to represent the Company; the reduction of share capital in the event of withdrawal by a shareholder; adaptation of the Bylaws to reflect regulatory requirements; and transfer of the Company's registered office within the national territory. The Board of Directors can also approve a transaction of major significance with related parties, despite the contrary view

of the independent directors, provided that the execution of such transactions has been authorized at the Shareholders' Meeting. Authorization is denied when there are, in attendance at the Shareholders' Meeting, unrelated shareholders or their proxies representing at least 10% of the share capital with voting rights, and the majority of these latter have voted against the transaction in question. If, in relation to a transaction of major significance with related parties, the resolution proposal to be submitted to the Shareholders' Meeting is approved despite the contrary view of the independent directors, the execution of the transaction will be prevented if the Shareholders' Meeting is attended by unrelated shareholders representing at least 10% of the share capital with voting rights, and the majority of these latter vote against the transaction in question. There are no shares carrying multiple votes and voting premium is envisaged. In order to allow more efficient management of the proceedings of Shareholders' Meetings, the Meeting on 28 April 2011 approved the Shareholders' Meeting Regulations (see Annex 4).

There were no significant changes in the market capitalization of Interpump Group S.p.A. during the year, or in the composition of its ownership structure.

## **17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (ex art. 123-(2), subsection 2, letter a), TUF)**

There are no additional corporate governance practices to report.

## **18. CHANGES AFTER THE CLOSE OF THE REFERENCE PERIOD**

From the end of the year to the time of writing no changes have been made to the corporate governance structure.

S. Ilario d'Enza, 18 March 2016

For the Board of Directors  
Fulvio Montipò  
Chairman

## **TABLES**

**TABLE 1: INFORMATION on OWNERSHIP STRUCTURES**

| <i>STRUCTURE OF THE SHARE CAPITAL</i>  |                  |                                 |                      |                        |
|--|------------------|---------------------------------|----------------------|------------------------|
|  | Number of shares | % with respect to share capital | Listed               | Rights and obligations |
| Ordinary shares                        | 108,879,294      | 100%                            | Milan Stock Exchange | Ordinary shares by law |
| Shares with multiple votes             | -                | -                               | -                    | -                      |
| Shares with restricted voting rights   | -                | -                               | -                    | -                      |
| Shares without any entitlement to vote | -                | -                               | -                    | -                      |
| Other                                  | -                | -                               | -                    | -                      |

| <i>OTHER FINANCIAL INSTRUMENTS<br/>(assigning the right to subscribe newly issued shares)</i> |                 |                                      |                                 |                               |
|---|-----------------|--------------------------------------|---------------------------------|-------------------------------|
|   | Listed/unlisted | Number of instruments in circulation | Category of shares for the year | Number of shares for the year |
| Convertible debentures  | -               | -                                    | -                               | -                             |
| Warrants  | -               | -                                    | -                               | -                             |

| <i>SIGNIFICANT STAKES IN THE CAPITAL</i> |                                  |                               |                             |
|--|----------------------------------|-------------------------------|-----------------------------|
| Declarant                                | Direct shareholder               | % portion of ordinary capital | % portion of voting capital |
| GRUPPO IPG HOLDING SRL**                 | GRUPPO IPG HOLDING SRL           | 20.230%                       | 20.230%                     |
| FMR LLC*                                 | FMR LLC                          | 5.170%                        | 5.170%                      |
| MAIS SPA*                                | ISABELLA SERAGNOLI               | 6.610%                        | 6.610%                      |
| CAISSE DES DEPOTS ET CONSIGNATIONS*      | CDC ENTERPRISES VALEURS MOYENNES | 2.014%                        | 2.014%                      |
| FIN TEL SRL*                             | BULGARELLI CLAUDIO               | 4.133%                        | 4.133%                      |
| INTERPUMP GROUP SPA**                    | INTERPUMP GROUP SPA              | 1.03%                         | -                           |

\* Source: Consob updated at 22/02/2016

\*\* Source: Draft financial statements of the company at 31/12/2015

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES**

| Board of Directors                                     |                      |               |                          |                |                                |           |       |           |                  |                 |                           |     | Control and Risks Committee |      | Remun. Committee |      | Appointments Committee |      | Executive Committee (if constituted) |      |  |
|--|----------------------|---------------|--------------------------|----------------|--------------------------------|-----------|-------|-----------|------------------|-----------------|---------------------------|-----|-----------------------------|------|------------------|------|------------------------|------|--------------------------------------|------|--|
| Office   | Officers             | Year of birth | Date first appointed (*) | In office from | In office until                | List (**) | Exec. | Non-exec. | Indep. from Code | Indep. from TUF | Number of other roles *** | *   | (*)                         | (**) | (*)              | (**) | (*)                    | (**) | (*)                                  | (**) |  |
| <b>Chairman and Chief Executive Officer</b> ◊          | Fulvio Montipò       | 1944          | From the date of listing | 30/04/2014     | App. 2016 financial statements | M         | √     |           |                  |                 | 1                         | 8/8 |                             |      |                  |      |                        |      |                                      |      |  |
| <b>Deputy Chairman and Chief Executive Officer</b> ◊ • | Paolo Marinsek       | 1950          | 27/04/2005               | 30/04/2014     | App. 2016 financial statements | M         | √     |           |                  |                 | -                         | 8/8 |                             |      |                  |      |                        |      |                                      |      |  |
| <b>Director</b>  | Giuseppe Ferrero     | 1946          | 16/04/2003               | 30/04/2014     | App. 2016 financial statements | M         |       | √         |                  |                 | 1                         | 8/8 |                             |      |                  |      |                        |      |                                      |      |  |
| <b>Director</b> ◊                                      | Franco Garilli       | 1951          | 30/04/2014               | 30/04/2014     | App. 2016 financial statements | M         |       | √         | √                | √               | 1                         | 8/8 | 1/3                         | M    | 2/2              | M    | 0/0                    | M    |                                      |      |  |
| <b>Director</b>  | Marcello Margotto    | 1961          | 06/08/2015               | 06/08/2015     | App. 2016 financial statements |           |       | √         | √                | √               | 1                         | 1/1 |                             |      |                  |      | 0/0                    | P    |                                      |      |  |
| <b>Director</b>  | Giancarlo Mocchi     | 1940          | 17/04/2008               | 30/04/2014     | App. 2016 financial statements | M         |       | √         |                  |                 | 2                         | 7/8 |                             |      |                  |      |                        |      |                                      |      |  |
| <b>Director</b>  | Stefania Petruccioli | 1967          | 30/06/2015               | 30/06/2015     | App. 2016 financial statements |           |       | √         | √                | √               | 2                         | 2/2 | 3/3                         | M    |                  |      |                        |      |                                      |      |  |
| <b>Director</b>  | Paola Tagliavini     | 1968          | 30/04/2014               | 30/04/2014     | App. 2016 financial statement  | M         |       | √         | √                | √               | 2                         | 8/8 | 6/6                         | P    |                  |      |                        |      |                                      |      |  |



|  |                        |      |            |            |                                |   |  |   |   |   |              |                          |                                  |                                 |     |      |     |   |  |
|--|------------------------|------|------------|------------|--------------------------------|---|--|---|---|---|--------------|--------------------------|----------------------------------|---------------------------------|-----|------|-----|---|--|
|  |                        |      |            |            | s                              |   |  |   |   |   |              |                          |                                  |                                 |     |      |     |   |  |
| <b>Director</b>  | Giovanni Tamburi       | 1954 | 27/04/2005 | 30/04/2014 | App. 2016 financial statements | M |  | √ |   |   | 6            | 8/8                      |                                  |                                 | 2/2 | P(a) | 0/0 | M |  |
| -----DIRECTORS LAPSED DURING REFERENCE PERIOD-----   |                        |      |            |            |                                |   |  |   |   |   |              |                          |                                  |                                 |     |      |     |   |  |
| <b>Director</b>  | Mara Anna Rita Caverni | 1962 | 30/04/2014 | 30/04/2014 | 30/06/2015                     | M |  | √ | √ | √ |              | 3/6                      | 2/3                              | M                               |     |      |     |   |  |
| <b>Director</b>  | Carlo Conti            | 1966 | 30/04/2014 | 30/04/2014 | 01/07/2015                     | M |  | √ | √ | √ |              | 6/6                      | 3/3                              | M                               | 2/2 | M    |     |   |  |
| <b>Specify the quorum required for submission of lists at time of last appointment:</b> 2.5 % (two point five percent) of the subscribed and paid-up capital with voting rights in the Ordinary Shareholders' Meeting for appointment of corporate offices, or, if higher or lower, the different maximum percentage established by statutory legislative and regulatory provisions. The minimum percentage for the submission of lists will be specified in the notice of convocation of the meeting. |                        |      |            |            |                                |   |  |   |   |   |              |                          |                                  |                                 |     |      |     |   |  |
| <b>Number of meetings held during the reference year:</b>  |                        |      |            |            |                                |   |  |   |   |   | <i>CRC:6</i> | <i>Rem. Committee: 2</i> | <i>Appointments Committee: 0</i> | <i>Executive Committee: N/A</i> |     |      |     |   |  |

**Notes**

The following symbols must be included in the "Office" column:

- This symbol indicates the director responsible for the internal control and risk management system.
- ◇ This symbol indicates the person primarily responsible for management of the Issuer (Chief Executive Officer or CEO).
- This symbol indicates the Lead Independent Director (LID).

\* The date first appointed for each director indicates the date on which the director was appointed for the first time (ever) to the Board of the Issuer.

\*\* This column indicates the list from which each director was taken ("M": majority list; "m": minority list; "Board": list presented by the Board).

\*\*\* This column shows the number of roles of director of auditor covered by the person in question in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance companies or companies of significant size. The appointment are indicated in full in the Report on Corporate Governance.

(\*). This column indicates participation by the directors at respectively Board and committee meetings (indicate the number of meetings attended with respect to the total number of meetings held; e.g. 6/8; 8/8 etc.).

(\*\*). This column indicates the role of the director on the committee: "P": chairman; "M": member.

(a) Since 06/08/2015 Marcello Margotto is Chairman of the Remuneration Committee.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

| Board of Statutory Auditors  |                     |               |                          |                |                                |           |                  |                            |                                   |
|--|---------------------|---------------|--------------------------|----------------|--------------------------------|-----------|------------------|----------------------------|-----------------------------------|
| Office   | Officers            | Year of birth | Date first appointed (*) | In office from | In office until                | List (**) | Indep. from Code | Attendance at meetings *** | Number of other appointments **** |
| Chairman   | Pierluigi De Biasi  | 1956          | 30/04/2014               | 30/04/2014     | App. 2016 financial statements | m         | Yes              | 9/9                        | 1                                 |
| Statutory auditor  | Alessandra Tronconi | 1967          | 30/04/2014               | 30/04/2014     | App. 2016 financial statements | M         | Yes              | 8/9                        | 1                                 |
| Statutory auditor  | Paolo Scarioni      | 1963          | 28/04/2011               | 30/04/2014     | App. 2016 financial statements | M         | Yes              | 8/9                        | -                                 |
| Alternate auditor  | Elisabetta Bani     | 1963          | 30/04/2014               | 30/04/2014     | App. 2016 financial statements | M         |                  |                            |                                   |
| Alternate auditor  | Pierpaolo Angelucci | 1976          | 30/04/2014               | 30/04/2014     | App. 2016 financial statements | M         |                  |                            |                                   |
| -----AUDITORS LAPSED DURING REFERENCE PERIOD-----  |                     |               |                          |                |                                |           |                  |                            |                                   |
|  |                     |               |                          |                |                                |           |                  |                            |                                   |
| <p>Indicate the quorum required for the presentation of lists by minority interests for the election of one or more members (ex art. 148 TUF): 2,5%. If, on expiry of the fifteenth day before the date set for the Shareholders' Meeting only one list has been submitted, other lists may be submitted up to the fifth day following the date of expiry of the foregoing term. In this case the minimum percentage drops to 1.25%.</p> |                     |               |                          |                |                                |           |                  |                            |                                   |
| <p>Number of meetings held during the reference year: 9</p>  |                     |               |                          |                |                                |           |                  |                            |                                   |

**Notes**

\* The date first appointed for each auditor indicates the date on which the auditor was appointed for the first time (ever) to the Board of Statutory Auditors of the Issuer.

\*\* This column indicates the list from which each auditor was taken (“M”: majority list; “m”: minority list).

\*\*\* This column indicates participation by the auditors at meetings of the Board of Statutory Auditors (indicate the number of meetings attended with respect to the total number of meetings held; e.g. 6/8; 8/8 etc.).

\*\*\*\* This column shows the number of roles of director of auditor covered by the person in question pursuant to art. 148-(2) TUF and the related enabling instructions contained in Consob's Issuers' Regulation. The full list of appointments is published on Consob's website pursuant to art. 144-(15) of Consob's Issuers' Regulation.

## **ANNEXES**

**Annex 1: Heading on the “Main characteristics of the internal control and risk management systems in relation to the financial reporting process” pursuant to art. 123-(2), subsection 2, letter b), TUF)**

Consistent with the principles indicated in the CoSO (Committee of Sponsoring Organizations) report dated May 2013 (regarding which certain alignment work is in progress), the Manager responsible for preparing company accounting documents, with support from the Internal Audit function and, where applicable, based on considerations made by the Control and Risks Committee, identifies and assesses the risks associated with achieving the objectives of reliable financial reporting.

The process of identifying and assessing the above risks is reviewed annually by the Responsible Manager or more frequently in the event of changes, such as the update of international accounting standards, that might influence the assessment of risk.

In order to ensure coverage of the risks identified, certain control activities - or accounting and administrative procedures - have been implemented to identify the controls that are key and those that are not. These control activities are checked by the Internal Audit function.

Based on the results of the checks performed, the Responsible Manager determines if it is necessary to take corrective actions by formalizing a remediation plan. The remediation plan is agreed with the process owners who, by the agreed due dates, must implement the agreed actions i.e. establish new controls or mitigate the risks deriving from the lack of controls.

Lastly, the Internal Audit function checks the effective application of the corrective action taken, by performing audit activities. The results of the independent checks carried out are reported periodically to the Manager responsible for preparing company accounting documents, in order to assess the adequacy of the system of control over financial information.

With regard to the preparation of the consolidated financial statements and half-year report, the principal companies in the Interpump group are also subjected to analysis and checks. Lastly, with reference to the interim reports for the first and third quarters and all other disclosures of a financial nature, the CFO/RM is required to declare their conformity with the documentary evidence, the company books and the accounting entries.

**Interpump Group S.p.A.**

**SHAREHOLDERS' MEETING REGULATIONS**

**FIRST SECTION - PRELIMINARY PROVISIONS**

**Art. 1** These regulations govern the conduct of the ordinary and extraordinary shareholders' meetings of Interpump Group S.p.A., with registered office in Sant'Ilario d'Enza (Reggio Emilia), Via Enrico Fermi 25 (hereinafter "the Company").

All matters not expressly regulated herein will be governed by the rules of the company Bylaws concerning the shareholders' meetings, which shall prevail over the contents of the present regulations in the event of conflict between the relative provisions.

**Art. 2** These regulations, which were approved by the Ordinary shareholders' meeting of 15 September 2000 28 April 2011, are at the disposal of shareholders and the parties entitled to participate in the Shareholders' meeting for consultation at the Company's registered office and in the places in which the Shareholders' meetings are held.

**SECOND SECTION - CONSTITUTION OF THE SHAREHOLDERS' MEETING**

**Art. 3** The shareholders' meeting is open to all the entitled parties in accordance with the law and with the Company Bylaws (hereinafter "Entitled Participants"). Entitled Participants can take part in the shareholders' meeting by proxy in compliance with the terms of art. 9 of the Bylaws.

In any event, the person taking part in the meeting on his or her own account or by proxy must provide valid identification by submission of a suitable document, also with regard to the powers assigned in the event of representation of a legal entity.

**Art. 4** The proceedings of the meeting can be witnessed also by company employees and other persons (hereinafter "Guests") in the role of observers without any entitlement to vote or address the meeting, provided such persons have been invited to attend by the chairman of the board of directors.

The meeting can also be attended, without entitlement to address the meeting, by non-shareholder officials and any tellers required for the execution of the duties envisaged by the following articles of the present Regulations.

In normal circumstances, the chairman of the board of directors will allow the presence, in the role of Guests, of financial experts and analysts, representatives of the legal independent auditing company to which the responsibility for legal auditing of the annual financial statements and the semi-annual reports has been assigned, and journalists working on behalf of daily newspapers and periodicals and television networks, in compliance with the Consob recommendations in this regard. The relative accreditations must be presented at the registered office of the company before the opening of the proceedings of the meeting.

On the request of one or more Entitled Participants, the chair of the meeting (as identified by the terms of art. 8 - the "Chairman") shall, during the preliminary operations of the meeting, read out the list of names and qualifications of the Guests in attendance.

**Art. 5** The Entitled Participants must send to the Company and submit to the officers of the Company presiding over the entrance to the rooms in which the meeting is held (hereinafter the "Officers") the documents specified by the articles of law attesting to the entitlement to participate in the meeting, which will result in consignment of the specific voting form or another form of legitimization for voting, to be retained for the entire duration of the proceedings of the meeting

and which must be presented for any checks and which must be returned to their owner in the event that this latter departs from the meeting before the proceedings have been brought to a close.

In all cases of dispute regarding the entitlement to participate in the meeting, the relative decision shall be taken by the Chair.

Guests must be identified by the Officers at the entrances to the places in which the meeting is being held, where they must collect, if so requested, a specific identification badge.

**Art. 6** The Chair shall have the faculty to order the proceedings of the meeting to be video recorded or audio recorded for the sole purpose of facilitating the drafting of the minutes of the meeting.

It is not permitted for either Entitled Participants or Guests to take into the rooms in which the meeting is being held recording devices of any type, cameras or similar devices, without the prior express authorization of the Chair.

**Art. 7** All Entitled Participants who, for any whatsoever reason, depart from the place in which the meeting is being held, are required to inform the Officers of their departure. In order to be readmitted to the meeting, such persons must present the counterfoil of the entrance ticket given to them by the Officers when they arrived.

**Art. 8** At the time specified in the notice of convocation, except for justified lateness within the limits of one hour, the chairman of the board of directors shall take the chair of the meeting or, in the absence of this person, in accordance with the Bylaws, the most senior deputy chairman in terms of age, if appointed; in the absence of this latter, the meeting shall be chaired by another person elected by the meeting.

The Chair now informs the meeting of the names of the members of the board of directors and of the board of statutory auditors in attendance at the meeting.

**Art. 9** The Chair is assisted by the secretary to the meeting (as identified by art. 10 - hereinafter the "Secretary"), by the other directors, by the auditors, by the public notary in the cases specified in art. 10, subsection 1, and by employees of the company admitted to the meeting as Guests.

On the basis of the admission tickets presented at the entrance by the Officers, the Chair, with the aid of the Secretary, informs the meeting of the number of Entitled Participants in attendance and the number of votes to which they are entitled.

With the aid of the Officers, the Chair checks that the proxies and entitlements of the persons present to participate in the proceedings are valid, and informs the meeting of the result of this process. If the Chair finds that one or more proxies are not correctly compiled, he can disqualify the relative holder of the voting right or its representative that has presented irregular proxies from taking part in the voting.

The list of Entitled Participants, with an indication of those effectively present at the time of voting, will form an integral part of the minutes of the

meeting together with all the relevant proxies.

Once the quorum specified in the Bylaws has been reached The Chair declares the meeting to be quorate and declares the proceedings to be open, after having checked, if calls after the first convocation are scheduled, that the quorums established by the Bylaws have been reached; otherwise, no sooner than one hour after the time established for the start of the meeting, he shall declare the meeting to be inquorate and postpone the proceedings for another convocation of the meeting, if scheduled. If the meeting is inquorate, a specific report shall be drawn up and signed by the Chair and, if present, by one of the auditors.

**Art. 10** Having ascertained that the meeting is quorate and read out the agenda, the Chair proposes to the meeting the appointment of the Secretary designated for drafting of the minutes, provided that this role is not assigned to a public notary previously appointed by the Chair pursuant to the articles of law or further to a decision taken to this effect at the sole discretion of the Chair. If the role of Secretary is not entrusted to a public notary in observance of the articles of law, the minutes will not be prepared by public deed, except in the case of a contrary decision taken by the Chair and communicated to the meeting.

The Secretary may be assisted by the Officers, by the employees of the company, or by his own assistants, provided they are Guests.

**Art. 11** The Chair can arrange for the presence of a security service to be provided by assistants, who will be provided with specific badges for this function.

**Art. 12** If the Chair establishes that voting shall be carried out by means of ballot sheets, he shall appoint two tellers with the responsibility of counting the votes, chosen from among the Entitled Participants.

**Art. 13** The proceedings of the meeting shall be normally performed in a single session, during the course of which the Chair, if he decides that such a course of action is justified and the meeting does not vote by simple majority to oppose such action, can suspend the proceedings for no longer than two hours (for each period of suspension).

Without prejudice to the terms of art. 2374 of the Italian Civil Code, the meeting, by resolution passed by simple majority vote, can decide to adjourn the proceedings whenever such action is deemed necessary, simultaneously establishing the date and time for the proceedings to be resumed within a time frame that may be longer than three days although anyway commensurate with the motivation for such an adjournment.

### THIRD SECTION - DISCUSSION

**Art. 14** The Chair, and, on the invitation of this latter, the other directors and the statutory auditors shall illustrate the topics appearing on the agenda within the limits of their individual areas of competence.

The order in which the various topics will be addressed, as specified in the notice of convocation, can be changed by the Chair upon approval by the meeting (on a simple majority vote) in the event that one or more Entitled Participants should oppose such a change of order.

On the prior request of the Entitled Participants involved, in accordance with the terms of art. 2375 of the Italian Civil Code, the individual interventions shall be summarized in the minutes.

**Art. 15** The Chair presides over the discussion taking account of any questions posed by the shareholders prior to the meeting, allowing the Entitled

Participants that have so requested in compliance with the following art. 16, paragraph 2, the directors, the statutory auditors, and the Secretary, to address the meeting.

In the exercise of this function, the Chair shall observe the principle whereby all Entitled Participants, directors, auditors, and the Secretary shall be entitled to express their opinions freely on matters of concern to the meeting, in observance of the law, the Bylaws, and the terms of the present regulations.

**Art. 16** The Entitled Participants, the directors, and the auditors shall be entitled to take the floor in relation to each of the topics to be discussed, and to formulate proposals in relation to the same.

Entitled Participants who wish to address the meeting must make a request to this effect to the Chair no earlier than after the reading of the topic in the agenda to which the request refers, and anyway before the discussion on the topic in question has been declared closed.

The request must be made by raising the hand, unless the Chair has informed the meeting that requests are to be made in writing or using an alternative method indicated by the Chair. If requests are to be made by raising of hands, the Chair shall invite the person who raised his or her hand first to address the meeting; where it proves impossible to establish clearly which requesting party raised his or her hand first, the Chair shall invite the participants to speak in the order established at his sole discretion. If a request is made in writing or using an alternative methods indicated by the Chair, the Chair shall invite the participant to speak in accordance with the order in which the relative requests have been made.

**Art. 17** The Chair, and/or, on the invitation of this latter, the directors and the statutory auditors, in compliance with their specific areas of competence or as far as considered useful by the Chair in relation to the topic to be discussed, shall respond to the Entitled Participants after each person has spoken, or after all the persons wishing to respond on all matters on the agenda have spoken, in accordance with the preference expressed by the Chair.

**Art. 18** The Entitled Participants are allowed to speak just once in relation to each topic on the agenda, except in the event of replication and a declaration of vote, each intervention shall last no longer than five minutes.

**Art. 19** Taking account of the subject and the importance of the individual topics on the agenda, the Chair shall indicate, in a measure that shall usually be no less than 5 minutes and no greater than 10 minutes, the time available for each Entitled Participant to speak on each issue. After the established time has elapsed, the Chair can invite the Entitled Participant to draw his or her arguments to a close in the following five minutes. Subsequently, if the intervention has not yet terminated, the Chair will apply the terms of the second paragraph, letter a) of art. 20.

**Art. 20** The Chair is responsible for maintaining order within the meeting, ensuring the correct execution of the proceedings, and preventing abuses of the entitlement to address the meeting.

Pursuant these above effects the Chair can interrupt the speaker:

- a) when the Entitled Participant speaks without due entitlement or continues to speak when the allocated time for the intervention has elapsed;
- b) after a warning, in the event of clear and evident lack of pertinence of the subject of the address to the topic under discussion;
- c) in the event that the Entitled Participant uses words, phrases or comments



that are offensive or slanderous;

d) in the event of incitement to violence or disorder.

**Art. 21** If one or more of the persons taking part in the meeting prevents the correct execution of the proceedings, the Chairman shall invite them to observe the terms of these regulations.

If such a warning is not heeded, the Chair shall order such persons to be removed from the place in which the meeting is being held for the entire duration of the discussion.

In such a case, the removed person, assuming such a person is among the Entitled Participants, can appeal to the meeting, which will reach a decision on the matter by simple majority.

**Art. 22** When all the interventions, responses, and replies are terminated, the Chair shall conclude by declaring the discussion to be closed.

After a discussion has been closed, no Entitled Participant shall be allowed to address the meeting in relation to the matter discussed.

#### **FOURTH SECTION - VOTING**

**Art. 23** Before starting voting procedures the Chair shall readmit to the meeting all those parties that have been removed pursuant to the terms of art. 21 and shall check the number of Entitled Participants present and the number of votes to which they are entitled. The provisions as at articles 20 and 21 of these regulations can be adopted, should the need arise, also during the voting procedure.

**Art. 24** The Chair can decide that voting shall be carried out after the closure of the discussion of each topic on the agenda, or at the end of the discussion of all the topics in the agenda.

**Art. 25** Voting of the meeting will be carried out by open ballot. It is the responsibility of the Chair to establish which of the following methods of voting shall be adopted: (i) a show of hands, on request by the Chair or by the Secretary for the expression of all those in favor, all those against, and all those abstaining from voting, following identification of each Entitled Participant voting; (ii) by a roll call, by a call and expression of vote by each Entitled Participant; (iii) by means of ballot sheets, in which case the Chair shall determine the maximum time within which the Entitled Participants shall express their vote by submitting the duly compiled ballot sheet to the tellers, who will place them in a box placed in the rooms in which the meeting is being held; (iv) with electronic voting systems, in which case the Chair establishes the start and end of the period within which the Entitled Participants can cast their vote.

Entitled Participants who, even though they are present at the meeting and even though having been invited to vote by the Chair, have not raised their hand or answered the roll call and declared their vote, or who have failed to submit their ballot sheet to the tellers, or who have not expressed their preference in accordance with the methods indicated by the Chair, shall be considered to have abstained.

**Art. 26** If the Chair establishes that voting be performed using ballot sheets, the ballot sheets are instruments for the purposes of voting and as such they shall be provided by the Company in accordance with a standard form. The ballot sheets are compiled by the Officers with an indication of the name of the owner of the shares associated with the exercisable voting rights and the corresponding number of votes. The ballot sheets must bear a different number

for each of the topics on which the meeting is required to deliberate; alternatively, the sheets can have a different color for each of the topics on which the meeting is required to deliberate, without prejudice to the fact that they must contain an indication of the number of votes compiled by the Officers. Any votes cast on spoiled or irregular ballot sheets shall be declared void. The ballot sheets are handed out by the Officers at the entrance to the rooms in which the meeting is held.

**Art. 27** Candidatures to the corporate offices of the company must be submitted within the terms and in accordance with the methods set down in statutory legislation and the Bylaws. Before opening the voting for appointments of corporate offices, the Chair: (i) reads out the lists submitted for the appointment of the board of auditors and the names of the entitled parties who presented the candidates; (ii) reads out the lists submitted for appointment of the board of directors and the names of the entitled parties who submitted them; (iii) reads out the curricula of the candidates, which must contain comprehensive information concerning the personal and professional qualifications of each candidate; (iv) communicates which lists and/or which candidatures are to be construed as not submitted and the relative reasons for such exclusion.

**Art. 28** If voting is carried out by means of ballot sheets, once the time established by the Chair for their submission has elapsed the tellers shall count the votes and communicate the result to the Chair.

The same procedure is adopted when the vote is cast with the other methods provided for in the above art. 25.

When the votes have been counted, the Chair shall inform the meeting of the result, and shall declare as approved the proposal that has obtained a favorable vote with the quorums established by the law or by the Bylaws.

In the case of appointment of the board of directors or the board of statutory auditors, the Chair shall declare as elected those candidates that win the ballot in accordance with the methods defined respectively in art. 14 and 19 of the Bylaws.

**Art. 29** Once the agenda has been completed, the Chair shall declare the meeting to be closed.

#### **FIFTH SECTION - FINAL PROVISIONS**

**Art. 30** These regulations can be amended by the ordinary shareholders' meeting with the majorities established by statutory provisions.

The ordinary Shareholders' Meeting can delegate to the Board of Directors any amendments or additions to these regulations or to any individual clause in the regulations.