



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

In compliance with art. 123-(2) of the Consolidated Finance  
Act (TUF)

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

2017

Date of approval: 15 March 2018

# CONTENTS

	Page
<b>GLOSSARY</b> .....	<b>4</b>
<b>1. ISSUER'S PROFILE</b> .....	<b>5</b>
<b>2. INFORMATION on the OWNERSHIP STRUCTURE (ex art. 123-(2), subsection 1, TUF) at 31/12/2016</b> .....	<b>5</b>
a. Structure of share capital (ex art. 123-(2), subsection 1 letter a), TUF) .....	5
b. Restrictions on the transfer of securities (ex art. 123-(2), subsection 1 letter b), TUF).....	5
c. Significant interests held in share capital (ex art. 123-(2), subsection 1 letter c), TUF).....	6
d. Securities that carry special rights (ex art. 123-(2), subsection 1 letter d), TUF).....	6
e. Employee equity interests: mechanism for the exercise of voting rights (ex art. 123-(2), subsection 1 letter e), TUF) .....	6
f. Restrictions on voting rights (ex art. 123-(2), subsection 1 letter f), TUF) .....	6
g. Shareholder agreements (ex art. 123-(2), subsection 1 letter g), TUF) .....	6
h. Change of control clauses (ex art. 123-(2), subsection 1 letter h) TUF) and statutory provisions concerning takeover bids (ex arts. 104, subsection 1-(3), and 104-(2), subsection 1).....	6
i. Mandates to increase share capital and authorizations to purchase treasury stock (ex art. 123-(2), subsection 1 letter m), TUF) .....	7
l. Management and coordination activities (ex art. 2497 et seq. of the Civil Code).....	8
<b>3. COMPLIANCE (ex art. 123-(2), subsection 2, letter a), TUF)</b> .....	<b>8</b>
<b>4. BOARD OF DIRECTORS</b> .....	<b>8</b>
4.1 APPOINTMENTS AND REPLACEMENTS (ex art. 123-(2), subsection 1 letter l), TUF) .....	8
4.2 COMPOSITION (art. 123-(2), subsection 2 letter d), TUF) .....	12
4.3 ROLE OF THE BOARD OF DIRECTORS (ex art. 123-(2), subsection 2 letter d), TUF) .....	17
4.4 DELEGATED BODIES .....	18
4.5 OTHER EXECUTIVE DIRECTORS .....	20
4.6 INDEPENDENT DIRECTORS .....	20
4.7 LEAD INDEPENDENT DIRECTOR .....	21
<b>5. PROCESSING OF COMPANY INFORMATION</b> .....	<b>21</b>
<b>6. BOARD INTERNAL COMMITTEES (ex art. 123-(2), subsection 2, letter d), TUF)</b> .....	<b>22</b>
<b>7. APPOINTMENTS COMMITTEE</b> .....	<b>22</b>
<b>8. REMUNERATION COMMITTEE</b> .....	<b>23</b>
<b>9. DIRECTORS' REMUNERATION</b> .....	<b>24</b>
Indemnity of directors in the case of resignation, dismissal or termination of office further to a takeover bid (ex art. 123-(2), subsection 2, letter i), TUF).....	25
<b>10. CONTROL AND RISKS COMMITTEE</b> .....	<b>25</b>
<b>11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b> .....	<b>28</b>
11.1 EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM .....	31
11.2 MANAGER OF THE INTERNAL AUDIT FUNCTION.....	31
11.3 ORGANIZATIONAL MODEL, pursuant to Legislative Decree 231/2001.....	32
11.4 INDEPENDENT AUDITORS.....	34
11.5 CHIEF REPORTING OFFICER AND OTHER COMPANY ROLES AND FUNCTIONS.....	34
11.6 COORDINATION AMONG PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM .....	35
<b>12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES</b> .....	<b>36</b>
<b>13. APPOINTMENT OF STATUTORY AUDITORS</b> .....	<b>37</b>

<b>14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (ex art. 123-(2), subsection 2, letter d), TUF)</b> .....	<b>38</b>
<b>15. RELATIONS WITH SHAREHOLDERS</b> .....	<b>40</b>
<b>16. SHAREHOLDERS' MEETINGS (ex art. 123-(2), subsection 2, letter c), TUF)</b> .....	<b>41</b>
<b>17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (ex art. 123-(2), subsection 2, letter a), TUF)</b> .....	<b>42</b>
<b>18. CHANGES AFTER THE CLOSE OF THE REFERENCE PERIOD</b> .....	<b>42</b>
<b>19.0 CONSIDERATIONS ON THE 13 DECEMBER 2017 LETTER OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE</b>	
<b><u>TABLES</u></b> .....	<b>43</b>
Table 1: Information on the ownership structure.....	44
Table 2: Structure of the Board of Directors and its committees .....	45
Table 3: Structure of the Board of Statutory Auditors .....	47
<b><u>ANNEXES</u></b> .....	<b>48</b>
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.....	49
Annex 2: Shareholders' Meeting regulations .....	50

## 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:** 2017.

**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 the corporate governance and ownership structure that companies are required to draft in compliance with the prescriptions of art. 123-(2) TUF.

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

## 1. ISSUERS' PROFILE

The Interpump Group manufactures and markets high and very high pressure piston pumps, pumping systems used in various industrial sectors for the conveyance of fluids, high pressure homogenizers, mixers, agitators, plunger pumps, valves and other machines produced mainly for the food processing industry and also used in the chemicals and cosmetics industries (Water Jetting Sector), power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, hydraulic hoses and fittings and other hydraulic components (Hydraulic Sector).

The expression Corporate Governance denotes the set of rules and procedures that constitutes the management and control system of joint stock companies. 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.

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 appointed at the Shareholders' Meeting.

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

The Interpump Group has always devoted attention to the topics that were to be enshrined in Italian legislative decree no. 254 of 30 December 2016, namely environmental, social, and personnel-related themes, respect for human rights, and active and passive anti-corruption initiatives. As a large public-interest entity, the Interpump Group is subject to the provisions of the foregoing Decree so, starting from 2017, it has prepared a non-financial statement that covers, to the extent required to assure understanding of the corporate activities, its results and the impact produced, with information related to the five topics listed above. The non-financial statement is available on the Group website ([www.interpumpgroup.it](http://www.interpumpgroup.it)) in the Governance section.

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 using the established methods and at the established time, 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 31/12/2017

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

The issued and fully-paid share capital totals 56,617,232.88 euro. 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 2013/2015" and the "Interpump Incentive Plan 2016/2018", 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 2017 and the Remuneration report 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)**

Based on 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, the shareholders who hold stakes in excess of 3% 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)**

There are no agreements among shareholders.

At 31 December 2017, Gruppo IPG Holding S.p.A. based in Milan held about 23.335% of the shares in Interpump Group S.p.A. The shareholders of Gruppo IPG Holding S.p.A. are the Montipò family and Tamburi Investment Partners S.p.A.

Giovanni Tamburi, non-executive director of Interpump Group S.p.A., is the Chairman and Chief Executive Officer of Tamburi Investment Partners S.p.A., a company that held 67,348 shares at 31 December 2017, representing 23.64% of Gruppo IPG Holding S.p.A., and Fulvio Montipò, Chairman and Chief Executive Officer of Interpump Group S.p.A., held 97,521 shares at 31 December 2017, representing 34.23% of Gruppo IPG Holding S.p.A., which in turn held a total of 25,406,799 shares in Interpump Group S.p.A. In addition, Gruppo IPG Holding S.p.A. held 29.89% of its own treasury stock. The remaining 12.24% at 31 December 2017 was held by the Montipò family.

**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 Unicredit on 8 July 2014 for a total of 40 million euro, 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 UBI-Banca Popolare Commercio e Industria on 10 April 2015 for a total of 10 million euro. 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 Intesa Sanpaolo S.p.A. on 23 September 2015 for a total of 25 million euro. 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 50 million euro. 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 50 million euro. 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 40 million euro, 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 Commerzbank on 18 May 2016 for a total of 40 million euro. 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. Lastly, the contract may be terminated as of right under the law if the shares of the company cease to be listed on a continuous basis on the Italian stock market or on other EU regulated markets.

A loan contract was signed between Interpump Group S.p.A. and CREDEM on 19 June 2017 for a total of 10.5 million, with a clause providing for termination of the contract by the bank in the case violation of the obligation to disclose the transfer entirely or partly of capital stock to persons or groups other than those existing at the time the loan was granted.

A loan contract was signed between Interpump Group S.p.A. and Intesa Sanpaolo S.p.A. on 26 June 2017 for a total of 25 million euro. The bank may withdraw from this contract if there is a change in the majority shareholder of the Group.

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

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, 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 (meaning by the payment of cash), with the right of the Board of Directors to determine the amount of any 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/Bylaws).

The Shareholders' Meeting of 28 April 2017 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 30.00 euro, in compliance with the methods and in respect of the limits set down in the legislation and regulations in force at the time. For the same period the Shareholders' Meeting has authorized the Board of Directors to divest treasury stock held in the portfolio at price of no less than 0.52 euro. Such divestments 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 companies in execution of incentive plans that have been approved beforehand at the Shareholders' Meeting, servicing 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 any agreements with strategic partners.

At 31 December 2017, the company held 1,561,752 treasury shares in the portfolio corresponding to 1.434% of the capital stock, acquired at an average unit cost of 12.4967 euro.

#### **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 the presumption pursuant to art. 2497-(6) of the Civil Code to have been overcome, since Gruppo 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 Gruppo 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 published pursuant to art. 123-(3), TUF, 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 this 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 the following page: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice/htm>. The methods of adapting to the foregoing code are described below, and also the reasons for a possible decision to not adapt to the 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), 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.

Pursuant to arts. 147-(3) and 148, TUF, and arts. 144-(3) et seq. of the Issuers' Regulation, Consob Resolution no. 20237 of 29 January 2018 identifies the percentage ownership required for the presentation of lists of candidates for the election of the administration and control bodies of Interpump Group S.p.A. in the measure of 1%.

4. Each candidate may appear in a single list on pain of ineligibility.

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 Legislative 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 both genders, 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 résumé 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 Legislative 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, enrolment 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, enrolment 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 dated 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 that 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-option 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 Board of Directors has assessed the opportunity of adopting a succession plan for the executive directors.

On 28 April 2017 the Board of Directors resolved to set up the Operative Coordination Committee based on a proposal of the Deputy Chairman, in consideration of the operational autonomy achieved by front line management. The Committee in question is composed of the Chairman and Chief Executive Officer, the Deputy Chairman (who heads the committee), the Investor Relations Manager and the four Product General Managers. The constitution of a committee of this type should prove functional for the definition of an executive directors succession plan.

#### **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 (1)
Angelo Busani	Independent Director
Antonia Di Bella	Independent Director
Franco Garilli	Independent Director
	Lead Independent Director
Marcello Margotto	Independent 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.

Approval of the financial statements at 31 December 2016 marked the expiry of the mandate granted to the Board of Directors by the Shareholders' Meeting of 30 April 2014. Therefore, the Shareholders' Meeting of 28 April 2017 elected the members of the current Board of Directors, establishing expiry of the office in three years, or at the approval date of the financial statements for the year ending 31 December 2019.

Two lists of candidates for the office of director were submitted. The first was submitted by Gruppo IPG Holding S.p.A., which held 25,406,799 ordinary shares of Interpump Group S.p.A., equivalent to 23.335% of the share capital, while the second was submitted by a group of asset management companies and institutional investors which, at the date of the Meeting, held a total of 1,368,172 ordinary shares of Interpump Group S.p.A., equivalent to 1.256% of the share capital.

The names of the candidates in the above-mentioned lists are:

List 1 from Gruppo IPG Holding S.p.A.:

- Marcello Margotto, born in Bologna on 1 January 1961 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998);
- Fulvio Montipò, born in Baiso (Reggio Emilia) on 22 October 1944;
- Paolo Marinsek, born in Trieste on 13 November 1950;
- Giovanni Tamburi, born in Rome on 21 April 1954;

- Paola Tagliavini, born in Milan on 23 January 1968 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998);
- Stefania Petruccioli, born in Milan on 5 January 1967 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998);
- Antonia Di Bella, born in Drapia (Vibo Valentia) on 17 February 1965 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998);
- Franco Garilli, born in Farini (Piacenza) on 28 October 1951 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998);
- Giuseppe Ferrero, born in Turin on 14 November 1946.

List no. 2 of group of asset management companies and institutional investors

- Angelo Busani, born in Parma on 4 October 1960 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998);
- Sara Fornasiero, born in Merate (Lecco) on 9 September 1968 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998);
- Federico Lovadina, born in Pistoia on 14 May 1979 (independent candidate pursuant to art. 148, subsection 3, of Legislative decree no. 58/1998).

Further to the voting, list no. 1 submitted by the shareholder Gruppo IPG Holding S.p.A. obtained 87 votes cast in favour, equivalent to 65.870% of the share capital represented in the Shareholders' Meeting, versus 248 votes in favour obtained by list no. 2 submitted by the group of asset management companies and institutional investors, equivalent to 29.698% of the share capital represented in the Shareholders' Meeting. Therefore, the Shareholders' Meeting elected the following candidates to the office of directors of Interpump Group S.p.A.:

- Marcello Margotto;
- Fulvio Montipò;
- Paolo Marinsek;
- Giovanni Tamburi;
- Paola Tagliavini;
- Stefania Petruccioli;
- Antonia Di Bella;
- Franco Garilli;
- Angelo Busani.

The Board of Directors appointed by the Shareholders' Meeting of 28 April 2017, has not been subject to any changes at the date of this report

A concise résumé 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). General Manager of Interpump Group S.p.A. from November 2004 to April 2005 when he was appointed Chief Executive Officer. From April 2013 to April 2017 occupied the office of Deputy Chairman and Chief Executive of Interpump and is currently Deputy Chairman.

### ***Angelo Busani***

Born in Palermo on 4 October 1960. Graduated in law at Parma University in 1984, currently a notary public in Milan. Qualified freelance journalist, member of the association of journalists since 1979; since 1988 works as financial analyst for Il Sole 24 Ore. Adjunct professor at Bocconi University of Milan since 2000, where he lectures in private and civil law (contract management and international contracts). Adjunct professor of Tax Law at Parma University from 2000 to 2009; from 1989 worked as a tutor at several post-university training organizations for master's degree in tax administration, international taxation, private banking and real estate. Since 2012 performs the role of Arbiter at the Court of arbitration of the Milan Chamber of Commerce. From 2016 occupies the office of: (i) chairman of the Board of Directors of Credit Suisse Servizi Fiduciari S.p.A. – asset trust company; (ii) independent member and chairman of the Control and Risks Committee of the Board of Directors of Beni Stabili S.p.A. – a real estate company listed on the Italian stock exchange. From 2013 to 2016 occupied the office of independent member of the Supervisory Board and Appointments Committee of Banca Popolare di Milano Soc. Coop. (bank listed on the Italian stock exchange). Chairman of the Board of Directors of Linea Pelle S.p.A. – leather exhibition operator – from 2015 to 2016; independent member (from 2012 to 2013) of the Board of Directors of Fondiaria SAI S.p.A. – insurance company listed on the Milan stock exchange – occupying the office of chairman of the Related Parties Committee and member of the Remuneration Committee. Member of the Board of Directors and Chairman of the Regulatory Body ex Legislative decree 231/2001 of S+R S.G.R. S.p.A. (March 2008 – July 2010) – Unicredit Group bank. From 2009 to 2010 member of the Board of Governors of Automobile Club d' Italia of Milan – the organizing agency of the Italian F1 Grand Prix –; from 2005 to 2009 was a member of the Board of Directors of Unicredit Corporate Banking S.p.A. (banking institute); from 2004 to 2011 occupied the role of secretary to the Board of Directors of Parmalat S.p.A. – dairy industry, listed on the Italian stock exchange; in 2001 operated as a member of the Committee for Privatization of the Parma Exhibition Agency; from 1999 to 2000 member of the Board of Directors of Bormioli Rocco & Figlio S.p.A. – glassware industry. Author of many books, papers and articles. Director of Interpump Group S.p.A. since 2017.

### ***Antonia Di Bella***

Born in Drapia (VV) on 17 February 1965. Graduated in economic and social science from the University of Calabria in 1990, has occupied role of Counsel at the NCTM law practice in Milan since 2016. Registered with the roll of Italian Public Accountants and Legal Auditors and has held a professorship in economics of insurance companies – a master's degree course in statistical, actuarial and economic science at Cattolica University of Milan since 2016. Has occupied the position of Partner in charge of the insurance sector at Mazars S.p.A. (October 2007 – July 2015). In the period 1992 – 2006 Senior Manager for KPMG S.p.A., specializing in legal auditing and consultancy services for insurance houses and finance companies. Statutory auditor in the board of statutory auditors of: (i) Assicurazioni Generali S.p.A. from

April 2014 - an insurance institution listed on the Italian stock exchange -; (ii) Marie Tecnimont S.p.A. from April 2016 – an oil and gas sector plant engineering company listed on the Milan stock exchange. Member of the Insurance technical commission at Organismo Italiano di Contabilità (Italian Accounting Body). Member of the steering committee of the Master's in Insurance Risk Management since 2011; from 2001 to 2015 member of the insurance technical commission on behalf of ASSIREVI. Has participated and continues to participate in several teaching positions and given talks at symposia and conventions on the subjects of corporate governance, internal control, and financial statements of insurance firms. Director of Interpump Group S.p.A. since 2017.

### ***Franco Garilli***

Born in Farini (Piacenza) on 28 October 1951. Graduated 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 Managing Partner of KPMG 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.

### ***Stefania Petruccioli***

Born in Turin on 5 July 1967. Graduated in Business Economics in 1991 from Bocconi University in Milan. Italian Chartered Accountant. University work from 1991-2004: research fellow at the Institute of Stock Exchange Studies "A. Lorenzetti" at Bocconi University; adjunct 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 Bonissoni” (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 and biotechnology sectors (2000-2005). Partner in Progressio SGR S.p.A. – Management company of two private equity funds (2005-2013). From July 2014, investment manager at Principia SGR S.p.A. – Management company of venture capital and growth funds. 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. Adjunct professor at the Faculty of Accounting of Bocconi University, lecturing on “Corporate Auditing (advanced course)” in Master's Degree Courses, on “Company Internal Auditing, Risk and Compliance” and “Enterprise Risk Management” in the Master's degree in Accounting, Auditing and Control, and on “Financial & Enterprise Risk Management” in the Corporate Finance Master's Degree. Also, Joint Director of the ERM Lab of SDA Bocconi, tutor in SDA courses on the subjects of risk management and Managing Partner at DGPA Risk, a unit specialized in providing risk management consultancy of DGPA & CO. 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 Centre 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 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, papers and articles. Director of Interpump Group S.p.A. since 2005.

### **Diversity policies**

In the reference period the issuer has evaluated the adoption of diversity policies concerning the composition of the administrative body in relation to aspects including age, gender and training and professional experience.

Following the evaluation, the company embarked on a programme of analysis aimed at identifying the contents of such policies in consideration of the business sector in which the Issuer is active.

### **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 established 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 500 million euro (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 50 million euro), 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.

The Board of Directors has also decided to publish the aforementioned limits in this report and also at any Shareholders' Meetings held to make such appointments.

The directorships or 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. (Equity investment holding company); **Marcello Margotto**: Unlisted companies of significant dimensions: Director of F.A.A.C. Spa (Gate automations; automatic doors.); **Stefania Petruccioli**: Listed companies: Director of De Longhi S.p.A. (home appliances sector), Director of RCS MediaGroup S.p.A. (multimedia publishing sector); Banks and Insurance houses: Director of Banca Monte dei Paschi di Siena S.p.A. (bank); **Paola Tagliavini**: listed companies: Independent Director of Rai Way S.p.A. (management of Rai television signal broadcasting infrastructure); Independent Director of Be, Think, Solve, Execute S.p.A. (services of Business Consulting, Information Technology, Process & Document Management.); Unlisted companies of significant dimensions: Independent Director of SAVE SpA (airports management); Finance companies: Independent Director of Eurizon Capital SGR (asset management company); **Giovanni Tamburi**: Listed companies: Chairman and Chief Executive Officer of Tamburi Investment & Partners S.p.A.; Director of Prysmian S.p.A. (power and telecoms cables and systems); Director of Amplifon S.p.A. (diagnosis, application and marketing of hearing aids); Finance companies: Gruppo IPG Holding S.p.A. (Investment holding company). **Franco Garilli**: Unlisted companies of significant dimensions: Director of BRT S.p.A. (express courier) until 16 January 2017; **Antonia Di Bella** listed companies: Statutory auditor of Assicurazioni Generali S.p.A. (insurance house) and Marie Tecnimont S.p.A. (plant engineering company for the Oil and Gas sector); **Angelo Busani**: listed companies: Director of Beni Stabili SIIQ S.p.A. (real estate company).

### ***Induction Programme***

During the meeting of the Board of Directors held on 12 January 2017, the Chairman and Chief Executive organized a presentation by the following Group managers, also for the purposes of the induction: Ing. Bizzarri (supervisor and head of the water division); Ing. Gottardi (supervisor and head of the hydraulic valves and directional controls sector); Ing. Iotti (supervisor and head of the cylinders and power take-offs sector); Dott. Marasi (supervisor

and head of the hoses and fittings sector and member of the investor relator team) and Dott. Mirabelli (head relations with institutional investors).

In addition, following the appointment of the current Board of Directors and the new Board of Statutory Auditors, during the meeting of the Control and Risks Committee of 19 June 2017, the guidelines of the internal control and risks management system of Interpump Group S.p.A. were illustrated to the independent director members of the Control and Risks Committee. This initiative was aimed at providing them with an adequate understanding of the principles of risk management, of the reference normative and self-regulatory framework for Interpump Group S.p.A. (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 fulfils 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).

In 2017 the Board met 3 times in its prior composition and 5 times in its current composition appointed by the shareholders' meeting of 28 April 2017. The average duration of the meetings was around 2 hours. The attendance percentages of each director during the year are indicated in Table 2.

At least 7 meetings are scheduled for 2018 (including 6 on the schedule already made public), 2 of which already held at date of this report. 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.).

The board meetings are normally attended also by the Chief Reporting Officer and the secretary of the Board of Directors; as from the meeting of 8 November 2017 the role of secretary to the Board of Directors is occupied by the Chief Reporting Officer. 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. In 2017, as already stated in the "*Induction Programme*" heading, five managers of the Group were invited to provide a short presentation at the meeting of 12 January 2017.

As envisaged in art. 18 of the Bylaws, over the years the Board of Directors has examined and approved the company's strategic, industrial and financial plans, as well as the corporate structure of the group headed by the company and the transactions above a predetermined limit and/or that are significant in nature (Application Criterion 1.C.1. a)).

In accordance with the requirements of Application Criterion 1.C.1. c) and of article 2381, subsection 3 of the civil code, on 14 February 2018 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: Hammelmann GmbH, NLB Corporation Inc., General Pump Inc., Inoxpa SA – water jetting sector -; Walvoil S.p.A., Muncie Power Products Inc., I.M.M. Hydraulics S.p.A., Interpump Hydraulics S.p.A., Oleodinamica Panni S.r.l. and Walvoil Fluid Power Corporation – hydraulics sector - on the basis of size criteria.

The Board of Directors assessed general operating performance during 2017, 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, and the transactions with significant strategic, economic, financial or equity-related significance, as identified with reference to the purpose of the transaction, for which the Board of Directors is responsible. 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 14 February 2018 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 inexistence of any anomalous differences of opinion on the part 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 Officer**

In the session of 28 April 2017, the Board of Directors appointed the Chairman Fulvio Montipò as Chief Executive Officer, attributing to him, among other powers, the following general mandates as sole signatory:

- (i) keep and sign the company's correspondence;
- (ii) form subsidiaries; take, purchase or sell equity investments with an enterprise value for 100% of the capital not exceeding 10,000,000 euro; purchase lines of business, inclusive of their net financial position, for not more than 10,000,000 euro; sell without warranty goods and all other fungible assets with a value not exceeding 5,000,000 euro;
- (iii) purchase goods and other unregistered fungible assets, as well as enter into contracts for the industrial and commercial management of the company, on condition that their value does not exceed 5,000,000 euro, with the exclusion of the purchase and/or

exchange and/or sale of real estate and/or the constitution of indefeasible property rights in respect of the company's real estate assets;

- (iv) purchase and sell motor vehicles of value not exceeding 100,000 euro;
- (v) issue sureties in favour of subsidiaries for amounts not exceeding 500,000 euro;
- (vi) sign, amend and terminate project-based collaboration contracts and consultancy contracts, on condition that they do not commit the company to paying fees, for each contract in any one year, in excess of 250,000 euro (except for consultancy contracts with the auditing firm, examined and authorized in advance by the Control and Risks Committee);
- (vii) perform all the financial operations required for ordinary administration of the company, open bank accounts, make withdrawals, give instructions, sign cheques up to a maximum amount for each cheque of 5,000 euro;
- (viii) hire and terminate managers, with the exception of general managers, whose gross annual salary is no higher than 150,000 euro, delegate all or some of the above powers to any director or employee of the company or to third parties;
- (ix) perform ordinary administration of the Company to accomplish the corporate aims.

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

- (i) supervise the management of confidential information and the disclosure of inside 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) ensure the functioning and adequacy of the internal control system, appoint one or more persons in charge of the system, providing them with suitable resources to perform their duties efficiently and assuring hierarchical independence from the persons in charge of the operating areas;
- (iii) 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;
- (iv) provide consultancy to the Chairman and Chief Executive, to the Board of Directors, to the executives and managers: in the investor relations activity, attending the meetings with analysts and investors; in M&A activities and in the activities of post-acquisition and integration, reorganization and restructuring of targets acquired and in the identification and implementation of synergies with Group activities; in the human resources policy and management activities, in the recruitment and development of first and second level managers.

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

At the meeting held on 28 April 2017, 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 the 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.

Fulvio Montipò, 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 Gruppo IPG Holding S.p.A., which holds a 23.335% controlling interest in Interpump Group S.p.A., and is the chief executive officer (hereinafter "CEO") of the Issuer.

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 (Application Criterion 2.C.1.).

## **4.6 INDEPENDENT DIRECTORS**

At 31 December 2017, Interpump Group S.p.A. has six independent directors: Franco Garilli, Marcello Margotto, Stefania Petruccioli, Paola Tagliavini, Antonia Di Bella and Angelo Busani.

Pursuant to Principles 3.P.1. and 3.P.2. and Application Criterion 3.C.4. of the Code of Corporate Governance, the Board of Directors has tested the presence of the independence required by the Code of Corporate Governance and by the Consolidated Finance Act, as indicated below.

In the meeting of 28 April 2017, being the first session following its appointment, the Board of Directors assessed the independence of the size non-executive directors as at the first paragraph, 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 28 April 2017 regarding approval of the 2016 financial statements. In the meeting held on 14 February 2018 the Board 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) and stressed the presence of the independence requirements.

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 28 April 2017 that it had overseen the correct application of the verification criteria and procedures adopted to assess the independence of its members.

The independent directors stated that they assembled on 14 March 2017 and, in the current composition appointed in by the Board of Directors on 28 April 2017, on 1 August 2017 in the absence of the other directors (Application Criterion 3.C.6).

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

At the meeting held on 28 April 2017 the Board of Directors confirmed Franco Garilli as the Lead Independent Director. The appointment of the Lead Independent Director was deemed appropriate by the Board of Directors pursuant to Application Criterion 2.C.3. 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. During the year, the Lead Independent Director collaborated with the Chairman of the Board of Directors in order to ensure that the directors received information flows on a complete and timely basis.

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

On 28 April 2017, the Board of Directors appointed Deputy Chairman Paolo Marinsek to the position of person in charge of the Company's confidential information and the external disclosure of inside information.

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

The Board of Directors has appointed the Appointments Committee, the Remuneration Committee, and the Control and Risks Committee (see Principle 4.P.1). We conform that no committee has been created having the functions of two or more committees (see Application Criterion 4.C.1, letter c) and that the functions have been “distributed” among the various committees in compliance with the requirements of the Code.

At the meeting held on 14 February 2018, 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 duly minuted.

### **7. APPOINTMENTS COMMITTEE**

In the meeting of 28 April 2017, the Board of Directors confirmed the members of the Appointments Committee as: Marcello Margotto, in the role of Chairman, Franco Garilli and Giovanni Tamburi. 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 assembled prior to the renewal of the Board of Directors, on 14 February 2017, with the participation of all the members. The meeting was properly minuted and lasted about 45 minutes. The meeting assessed the continued independence of the directors identified as such, sitting on the Board in office in the three-year period prior to the renewal, adopting, among other principles, the criterion of substance over form; its judgment was based both on the information provided by the directors concerned and on all the other information available to the company. The Committee also deemed their attendance 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). The Committee has also examined the answers received for the questionnaire to assess the operation of the Board of Directors of Interpump Group S.p.A. and its committees, sent to the Directors on 27 January 2017, and deemed them to be adequate in relation to the company situation. Finally, the Appointments Committee assesses the opportunity of reformulating a more specific and detailed questionnaire to assess the size, composition, and operation of the bodies in question, argument that can be submitted to the attention of the newly appointed Board of Directors.

During the Board Meeting held on the same day, the Chairman of the Appointments Committee provided information about the results of the work performed in terms of assessing the size, composition and functioning of the Board and its Committees.

2 meetings are planned for 2018, one of which was held on 14 February 2018.

The meetings of the Appointments Committee were not attended by non-members.

### **Functions and duties of the Appointments Committee**

The Appointments Committee is responsible for ensuring the transparency of the process for appointing directors, as well as the balanced composition of the Board of Directors. Specifically, the Appointments Committee hopes that candidates are independent, as defined in art. 3 of the Corporate Governance Code, and that this independence is maintained throughout their mandates, in order to ensure an adequate degree of director independence with respect to management. Accordingly, the Appointments Committee plays an advisory role and makes recommendations regarding the optimal composition of the Board, indicating those professional persons whose presence would facilitate the proper and effective functioning of the Board and, if necessary, contributing to the definition and examination of the succession plan for executive directors, should the Board of Directors decide to make this plan.

No directors were co-opted during 2017.

In the execution of its functions the Appointments Committee is able to access the necessary information and corporate functions and to make use of external consultants (Application Criterion 4.C.1. e)).

The financial resources available to the Appointments Committee for the performance of its duties have not been quantified in advance, as these resources may vary depending on the needs expressed by the Committee on a case-by-case basis.

## **8. REMUNERATION COMMITTEE**

### **Composition and functions 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. At least one member of the Committee is in possession of knowledge and experience in the field of accounting and finance and in relation to remuneration policies considered to be adequate by the board at the time of the appointment.

The meetings are coordinated by the Committee Chairman and properly minuted.

The Committee met on 14 March, 5 May, 20 October and 27 November 2017.

The above-mentioned four meetings, which lasted around one hour each, were attended by all the members; also the members of the board of statutory auditors participated in the meeting



of 27 November. The Chairman presented information concerning the matters addressed during the first subsequent Board Meetings, which were held, respectively, on 15 March, 11 May and 8 November 2017.

In the meeting of 28 April 2017, the Board of Directors confirmed the members of the Remuneration Committee in the persons of Marcello Margotto, in the role of Chairman, Franco Garilli and Giovanni Tamburi.

2 meetings are planned for 2018, one of which already held at the time of writing.

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 15 March 2018.

During the meeting held on 14 March 2017, the members:

- discussed the general policy for the remuneration of executive directors, other directors with special duties and Managers with Strategic Responsibilities;
- discussed 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 2017 and to the period from 1 January 2018 until the date of approval of the 2017 financial statements;
- discussed the determination of the 2016 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;
- approved the draft of the illustrative report of the Board of Directors to the Shareholders' Meeting to be submitted to the Board itself.

During the meeting held on 5 May 2017, the Committee resolved to propose the following to the Board of Directors:

- the remuneration to attribute to the individual directors assigned special duties in relation to 2017 and the period from 1 January 2018 until the date of approval of the 2017 financial statements;
- an addition to the compensation of the Chairman to be devoted to personal security matters;
- the amount of the 2017 bonuses to be assigned to the Group's executive directors, based on accomplishment of the objectives established by the Board of Directors and determination of the objectives associated with the 2017 bonuses;
- assignment of the number of options to be granted to the beneficiaries in relation to the 2016 Tranche of the "Interpump 2016/2018 Incentive Plan".

In the third meeting held on 20 October 2017, the Committee discussed the calculation criterion of the objectives of the Interpump 2016/2018 Incentive Plan.

In the third meeting held on 27 November 2017, the Committee discussed the recommendations and the principle themes and directives of the best practices in the sphere of remuneration of the Directors and managers with strategic responsibilities.

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. e)). The Committee did not make use of external consultants in 2017 (Application Criterion 6.C.7.).

The Board of Directors has assigned a budget of 30,000 euro 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 15 March 2018.

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 15 March 2018, 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, the Chief Executive Officer, and the Deputy Chairman. 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 Chief Reporting Officer 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. The internal audit function manager is not a beneficiary of incentivization mechanisms.

Directors' compensation for 2017 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/termination without good reason or termination of office following a takeover bid.

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

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

In 2017, prior to the date of renewal of the Board of Directors by the Shareholders' Meeting of 28 April 2017, the Control and Risks Committee was composed of the following three independent directors: Paola Tagliavini, as Chairperson, Stefania Petruccioli and Franco Garilli.

The Board of Directors meeting of 28 April 2017 confirmed the following members of the Control and Risks Committee: Paola Tagliavini, as Chairperson, Stefania Petruccioli and Franco Garilli, and appointed a new member in the person of independent director Angelo Busani.

At least one of the Committee members has experience of finance, accounting and risk management that was deemed adequate at the time of appointment (see Principle 7.P.4.).

6 meetings of the Committee were held in 2017, 4 of which in the current composition, with an average duration of 2 hours for each meeting. 6 meetings are planned for 2018, of which 2 have already been held. The meetings are properly minuted (Application Criterion 4.C.1. d)) e and the Chairman provided information at the next subsequent Board Meeting about the matters discussed of interest to the Board, as well as about the Half-yearly Reports on the activities of the Committee, the Internal Auditing, Risk & Compliance function, the Regulatory Body and the Annual Audit Plan, which had been discussed and agreed in advance (see Application Criterion 4.C.1. f).

All the members of the Board of Statutory Auditors have a standing invitation to participate in the works of the Committee and they all attended every meeting, except for one, which the Chairperson of the board of statutory auditors, Frederica Menichetti, was unable to attend. Standing invitations are also extended to the Director responsible for the internal control and risk management system, the Group Internal Auditing, Risk & Compliance Manager and the Chief reporting officer. 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 Regulatory Body of Interpump S.p.A. and the Manager of the Information Services of Interpump Group S.p.A.

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

A board resolution on 28 April 2016 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 supporting, via adequate investigation, the assessments and decisions of the Board of Directors 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 report on the fundamental matters that emerged during the legal audit - having heard also 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 Director in charge 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 Chief reporting officer and after consulting the Independent Auditing Company and the Board of Statutory Auditors, the proper and consistent application of the accounting policies adopted for preparation of the consolidated financial statements;
- b) examines the half-yearly reports prepared by the Internal Auditing, Risk & Compliance 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 Internal Auditing, Risk & Compliance function and the Regulatory 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) supports, via adequate investigation, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from any prejudicial facts that come to the attention of the Board of Directors;

g) expresses opinions on specific aspects concerning the identification of the main company risks.

The Committee carried out various activities during 2017, 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 31/12/2016 and expressed its opinion in favour of submitting the document for approval by the Board of Directors;

- reported to the Board on the work performed at the time of approval of the 2016 financial statements;

- examined the results of the Audits carried out during the first half of 2017;

- examined the 2016-2018 three-year Audit Plan prepared by the Internal Audit Manager, focusing on 2017, and expressed its opinion in favour of submitting the document for approval by the Board of Directors;

- examined the Reports on the activities carried out during the second half of 2016 by the Regulatory Body and the Internal Audit function of Interpump Group S.p.A.;

- examined the "Report on the Organizational, Administrative and Accounting Structure" and approved the "Description of the key elements of the system of internal controls and assessment of their overall adequacy" and approved the "Report on corporate governance and the ownership structure" related to 2016; examined, together with the Chief reporting officer, its report on the adequacy of the internal control system in relation to the financial reporting process used to prepare Annex 1 of the "Report on corporate governance and the ownership structure";

- having consulted the Auditing Firm and the Board of Statutory Auditors and, together with the Chief reporting officer, 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 2016;

- acknowledged that the audit work carried out the financial statements of Interpump Group SpA at 31/12/2016 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 EY 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;

- assessed the requirements of independence, adequacy, efficacy and efficiency of the Internal Auditing function and the consistence of the remuneration with the company policies, expressing a favourable opinion; has participated in an induction section for new members, concerning the guidelines of the group's internal control and risks management system and has recommended the evaluation of the opportunity of implementing a Group risks management

policy that defines the risk tolerance of the company and that can be used to extract also the logic of risk-based audits;

- invited the Manager of the Information Services of Interpump Group S.p.A. to supply information on the topic of cyber risks, with a special focus on preventive and protective measures in place at Interpump Group S.p.A., and thereafter at the main companies of the Group. From the risk assessment carried out it emerges that there are no critical situations, but rather activities that it would be appropriate to conduct to restrict the risks associated with a possible cyber-attack;

- invited the Operations Controller of the Interpump Group to report, with the assistance of the Manager of the Group Internal Auditing function, on the state of progress of the activity undertaken for the purpose of compliance with the Barnier directive, which requires the preparation of a document related to “Non-financial information”;

- examined the Reports on the activities carried out during the first half of 2017 by the Regulatory Body and the Internal Auditing function of Interpump Group S.p.A. and the progress made by Internal Audit activities in relation to the contents of the 2017 Audit Plan;

- issued a favourable opinion concerning updating of the Organization and Management Model in consideration of the changes that have occurred following the adoption of the current version of the OMM; the changes include, in particular, corruption between private individuals, although from an initial analysis, no new activities at risk of offence have been identified. The update process is planned to be completed within the initial months of 2018 before being extended to embrace the other companies in the Group;

received the results of the Group 2016/2017 Control Risk Self-Assessment, which provides a qualitative-quantitative type evaluation of the risks appearing in the Risk Register, by the main Group companies; it has also received the results of the specific Control Risk Self-Assessment on the Bertoli division of Interpump Group S.p.A., performed in consideration of the entry into a sector with a different risk profile, namely the food sector;

- consulted the Auditing Firm and the Board of Statutory Auditors and, together with the Chief reporting officer, examined the results of the audit work performed on the 2017 half-year financial report and the proper application of the accounting policies adopted;

- met with the IT systems manager of Interpump Group S.p.a. to examine the changes made by European Regulation no. 679/2016 concerning Data protection and the activity plan allocated to the parent company and the most affected Italian companies in order to achieve a state of compliance within the terms provided for by the law;

- took account of the fact that there are no transactions with related parties planned for 2018 such that require the involvement of the Committee for Transactions with Related Parties; and that there are ordinary transactions, such as purchases/sales of goods or services and renewal of the rental contract, that must be disclosed by the Chief Executive Officer of Interpump Group S.p.A. to the Board of Directors of the Group, because the related amount is not of minimal value.

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 assigned a budget of 40,000 euro to the Committee for its activities.

In 2017 the Related Party transactions Committee, composed of three members of the Control and Risks Committee, Paola Tagliavini, in the role of Chairperson, Stefania Petruccioli and Franco Garilli, was not required to address any specific matters. An update meeting, attended also by the board of statutory auditors, was held on 13 October 2017 with regard to ordinary and other transactions in progress with related parties. That meeting was only held for information purposes and was not required to address 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, Risk & Compliance function, which performs third-level controls. The Internal Audit, Risk & Compliance function, which 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 Regulatory Body, the Independent Auditors and the Chief reporting officer, are described in the following paragraphs. In this regard, the company has introduced a compliance function to monitor legal and non-conformity risks in particular, including the risk of committing criminal acts to the detriment or for the benefit of the company (see the comments in art. 7), for which the Internal Audit, Risk & Compliance function is currently responsible.

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, Risk & Compliance 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 catalogue 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 offences 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 important, after assessment using the same methodology of the risk of committing the above-mentioned offences.

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.

A Global Compliance Programme will be prepared in 2018 to define, for all the group's companies, the rules of conduct to be followed in order to prevent misconduct in the environmental, social, personnel, respect for human rights and active and passive anti-corruption areas.

#### 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.

Among the compliance policies and procedures, we mention the internal dealing procedures; the whistleblowing procedure, which are substantially in line with the current regulations, the Organization and Management Model pursuant to Legislative Decree 231/2001 for Interpump Group S.p.A. and the Italian subsidiaries for which the risk of committing offences was considered relatively high, 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 1 August 2017 and 7 February 2018, 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 Internal Control and Risk Management System and the reports on the work performed by the company's Internal Audit, Risk & Compliance function, the Board of Directors has concurred with the opinion expressed by the Control and Risks Committee and has evaluated the internal control and risks management 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 28 April 2017, the Board of Directors confirmed the mandate granted to the Deputy Chairman 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 2017 the appointed executive director:

- completed the update of the Control Risk Self-Assessment activity, in order to assess the compatibility of the overall exposure and level of risk (strategic, operational, financial and compliance) that the Group is willing to accept in the achievement of its business objectives;
- 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 28 April 2017 the Board of Directors, acting on a proposal from the executive director responsible for the System, after receiving a favourable opinion from the Control and Risks Committee, and after consulting the Board of Statutory Auditors, confirmed the appointment of Francesca Manzotti as Manager of the Internal Auditing, Risk and Compliance 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 Auditing function. These guidelines envisage, consistent with Application Criterion 7.C.5, that inter alia the manager of the Internal Auditing 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 fulfil 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 (Application Criterion 7.C.5. d) and e)). 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 (Application Criterion 7.C.5. f)).

The above guidelines will be updated in view of the establishment of the compliance function, with particular reference to the control of the legal and non-conformity risk.

The Board of Directors has assigned an annual budget of 40,000 euro to the Internal Auditing, Risk & Compliance function for its activities.

The activities of the Internal Auditing, Risk & Compliance function during 2017 were carried out in line with the Audit Plan, which envisages: compliance audits (with a focus on Legislative decree 231/2001), financial audits (to provide assurance about the reliability of financial data) and operational audits of the business processes of greatest interest. Consistent with the Audit Plan, the Internal Auditing, Risk & Compliance Manager checked the accounting systems used with a view to improving the reliability of the Company's information systems. In addition, the Internal Auditing, Risk & Compliance function continued to monitor the management of key risks during 2017, partly by following up the improvement plans established by management.

At the meeting held on 7 February 2018, the Control and Risks Committee was appropriately informed about the outcome of the activities of the Internal Auditing, **Risk & Compliance** function during the second half of 2017.

The Chief reporting office was appropriately informed about the activities of the Internal Audit Manager pursuant to Law 262/05 during 2017, 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 Auditing Risk & Compliance function was examined by the Board of Directors at the meeting held on 14 February 2018.

The Internal Auditing function was set up on 28 June 2000. In line with the requirements of Application Criterion 7.C.6., the Internal Auditing function has not been delegated to third parties, either in its entirety or for specific segments of operations.

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

Interpump Group S.p.A. implements the Organizational Model pursuant to Legislative Decree 231/2001 (hereinafter the “Model”) adopted by the Board of Directors on 22 January 2004 and updated on several occasions since then including, most recently, on 18 March 2016. From that date several amendments have been made to Legislative Decree 231/2001, including introduction of the offence of illicit intermediation and exploitation of workers and expansion of the scope of the offence of corruption in the private sector. In addition to the new offences mentioned above, in the period since the last update of the Interpump Organization and Management Model, several provisions were also enacted - impacting on Legislative Decree 231/2001 - concerning money counterfeiting, falsification of public credit instruments, revenue stamps or distinguishing signs, anti-terrorism, criminal association for the purpose of trafficking in organs harvested from living persons, and whistleblowing, in relation to which the company is substantially aligned, racism and xenophobia.

In consideration of these normative updates, on a recommendation of the Regulatory Body, the company has decided to make a new update of the Model, with the support of a consultancy company.

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, schedule of powers and mandates), the functions of the Model, the methodology adopted for the creation of the Model, the structure of the Model, its recipients;
- Special Parts concerning specific types of offence 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 offences;
- an appropriate internal disciplinary system to punish failure to comply with the measures indicated in the Model;
- 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 Regulatory 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 Regulatory Body and required by Legislative Decree 231/01.

The Company has decided not to assign the functions of the Regulatory 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 2019, the current structure with three Bodies (Control and Risks Committee, Regulatory 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 Regulatory Body checked that the Model is constantly updated to reflect the regulations, analysed 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 Regulatory 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: <https://www.interpumpgroup.it/uk/mod-organiz.aspx>.

The Model has been extended to cover the Italian subsidiaries of strategic significance that, in consideration of their size and organizational complexity, are subject to a relatively higher level of risk with respect to the offences envisaged in Legislative Decree 231/2001. With regard to the other Italian companies, and the foreign companies in particular, Interpump has defined three-year plan that calls for the preparation of a Global Compliance Programme that the group companies must adopt to prevent misconduct in the environmental, social, personnel, respect for human rights and active and passive anti-corruption areas.

#### **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 S.p.A. to audit the separate and consolidated financial statements pursuant to Legislative Decree 39/2010 for the nine-year period 2014-2022.

#### **11.5 CHIEF REPORTING OFFICER 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 Chief reporting officer 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 Chief reporting officer (Manager in Charge) until his appointment is revoked by the Board of Directors.

The Manager in Charge 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 in Charge 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 channelling of information flows in respect of the Manager in Charge.

The following means have been attributed to the Manager in Charge:

- the facility to dispose of an annual expenses budget of 25,000 euro, 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 facility 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 facility 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 facility 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 section 11.1 above) and
  - ii. a Control and Risks Committee (see section 10 above) with the task of supporting, with adequate investigation, the assessments and decisions of the Board of Directors in relation to the internal control and risk management system, including the risks deriving from any prejudicial factor that come to the attention of the Board of Directors (7.C.2. g)), as well as those relating 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 Chief reporting officer (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 Manager in Charge can also participate on invitation from the Committee;

- the half-yearly 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 half-yearly 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 half-yearly 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 favourable 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.) The Procedure has been applied since 1 January 2011. 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.

Subsequently, on 18 March 2014, the Board of Directors approved certain amendments to the Procedure, having obtained a favourable opinion from the Committee at a special meeting. Among others, these amendments changed the thresholds for identifying immaterial transactions. Subsequently, on 4 August 2017, the Board of Directors approved certain amendments to the procedure, having obtained a favourable opinion from the Committee at a special meeting; the amendments substantially concerned the assimilation of the normative innovations and changes in the governance structure.

The Committee was not requested to address any specific matters during 2017. On 31 October 2017, during a meeting of the Control and Risks Committee, the Committee composed of Paola Tagliavini, Stefania Petruccioli and Franco Garilli conducted an alignment meeting concerning transactions in progress with related parties, including transactions of an ordinary nature. That meeting was only held for information purposes and did not relate to any specific matters. In principle, transactions with related parties 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 100,000 euro or 500,000 euro 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 300,000 euro 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. at the following address: [www.interpumpgroup.it/ Governance/Procedure for Transactions with Related Parties](http://www.interpumpgroup.it/Governance/Procedure%20for%20Transactions%20with%20Related%20Parties).

At the meeting held on 28 April 2017, the board of directors ascribed the following informative obligations to the Deputy Chairman:

- to receive the necessary information from related parties to make it possible to comply with the obligations set down by the regulation and by the procedure;
- to supply comprehensive and adequate information to the Committee for the procedure concerning transactions of lesser importance with related parties, if the conditions of the transaction are defined as equivalent to market or standard conditions, objective elements in this regard;
- to supply adequate information concerning transactions of lesser importance concerning the board of directors, to all the directors and to the board of statutory auditors;
- to refer on at least a quarterly basis to the board of directors and the board of statutory auditors concerning the execution of Transactions of Lesser Importance;
- to guarantee that, in relation to transactions of greater importance, the Committee is involved in the terms stated in the Procedure;
- in relation to transactions with related parties conducted by subsidiaries, to gather from the subsidiaries information and documentation concerning the transactions they intend to approve.

### **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.

Pursuant to arts. 147-(3) and 148, TUF, and arts. 144-(3) et seq. of the Issuers' Regulation, Consob Resolution no. 20237 of 29 January 2018 identifies the percentage ownership required for the presentation of lists of candidates for the election of the administration and control bodies of Interpump Group S.p.A. in the measure of 1%.

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 résumé 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 enrolment 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 approval of the financial statements at 31 December 2016 marks the expiry of the mandate of the Board of Statutory Auditors, granted at the Shareholders' Meeting held on 30 April 2014. Therefore, the Shareholders' Meeting of 28 April 2017 elected the members of the current Board of Statutory Auditors, in the persons of Fabrizio Fagnola (Chairman), Alessandra Tronconi (Statutory auditor), Federica Menichetti (Statutory auditor), Federico Quaiotti (Alternate auditor) and Roberta Senni (Alternate auditor); establishing expiry of the office in three years, i.e. at the approval date of the financial statements at 31 December 2019.

During the Shareholder's Meeting held on 28 April 2017 two lists of candidates for the office of statutory auditor were submitted:

- list no. 1 by Gruppo IPG Holding S.p.A., the company that, on the date of the Shareholders' Meeting, held 25,406,799 ordinary shares of Interpump Group S.p.A., equivalent to 23.335% of the company's share capital;
- list no. 2 by a group of asset management companies and institutional investors, which, on the date of the Shareholders' Meeting, held 1,368,172 ordinary shares of Interpump Group S.p.A., equivalent to 1.256% of the company's share capital.

The names of the candidates in the above lists are:

### List 1 from Gruppo IPG Holding S.p.A.:

Statutory auditors

- Alessandra Tronconi born in Forlì (FC) on 24 July 1967;
- Federica Menichetti born in Rome on 3 January 1976;
- Mario Francesco Pitto born in Genoa on 3 June 1951.

Alternate auditors

- Federico Quaiotti born in Occhiobello (RO) on 18 December 1975;
- Sara Nuzzaci born in Florence on 20 March 1966.

List no. 2 of group of asset management companies and institutional investors:

Statutory auditors

- Fabrizio Fagnola born in Genoa on 12 March 1957.

Alternate auditors



- Roberta Senni born in Rome on 5 January 1982.

Further to the voting, list no. 1 submitted by the shareholder Gruppo IPG Holding S.p.A. obtained 82 votes cast in favour, equivalent to 61.736% of the share capital represented in the Shareholders' Meeting, versus 247 votes in favour obtained by list no. 2 submitted by the group of asset management companies and investors, equivalent to 32.747% of the share capital represented in the Shareholders' Meeting. Therefore, the Shareholders' Meeting elected the following candidates to the office of members of the board of statutory auditors of Interpump Group S.p.A.:

- Fabrizio Fagnola (Chairman);
- Alessandra Tronconi (Statutory Auditor);
- Federica Menichetti (Statutory Auditor);
- Federico Quaiotti (Acting auditor);
- Roberta Senni (Acting auditor).

The Board of Statutory Auditors met 8 times during 2017 with 100% participation of its members on average and average duration of each meeting of about 2 hours 30 minutes. The last 5 meetings were attended by the members of the current board of statutory auditors. 7 meetings are planned for 2018, 2 of which have already been held.

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 résumé of each member of the Board of Statutory Auditors in office is given below:

#### ***Fabrizio Fagnola***

Born in Genoa on 12 March 1957. Graduate in Economics and Commerce from Genoa University. Chartered accountant enrolled in the order of Genoa and legal auditor, with more than thirty years of experience in auditing accounts of listed companies and multinationals and in certification services connected to auditing. Partner at Deloitte & Touche until 2015 before accumulating the required years of service. Head of Deloitte's North East department (Turin and Genoa) from 2009 to 2011. Reputation & Risk Leader from 2011 to 2015 for all Italian entities of the Deloitte network. Currently collaborates with several private companies in the maritime sector or with related companies, providing assistance in matters of corporate governance and risk management.

Member of the Regulatory Body pursuant to Legislative Decree 231/2001 of Alpha Trading S.p.A. (Chairman).

#### ***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 has lectured on the Master's degree course in Tax Law "A. Berliri" – Alma Mater Studiorum – University of Bologna, academic years 2011-2012; 2012-2013; 2013-2014; 2014-2015; 2015-2016; 2016-2017.

#### ***Federica Menichetti***

Born in Rome on 3 January 1976. Graduate Law from La Sapienza University, Rome. Enrolled in the roll of legal attorneys of Rome. From 2003 until 2006 worked as junior consultant at Studio Camozzi & Bonisconi in Rome. From 2006 to present has worked at KPMG Studio Associato Legale e Tributario, where she currently occupies the position of Senior Manager for the Bologna office. Expert in Compliance procedures (Legislative decree 231/2001, anti-corruption, anti money laundering, etc.) participating as tutor in master's degree courses organized by several institutes, namely Cattolica University, Bologna University and Bologna Business School.

### **Diversity policies**

In the reference period the issuer has evaluated the adoption of diversity policies concerning the composition of the controlling body in relation to aspects including age, gender, training and professional experience.

Following the evaluation, the company embarked on a programme of analysis aimed at identifying the contents of such policies in consideration of the business sector in which the Issuer is active.

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: **Alessandra Tronconi**: Unlisted companies of significant size: statutory auditor of Perimetro Gestione Proprietà Immobiliari S.C.P.A. (real estate company); Finance companies: statutory auditor of Marco Polo International Italy S.p.A. (investment company for the purpose of purchasing, holding and managing equity investments)

At the meeting held on 28 April 2017, being the first meeting after their appointment, the Board of Directors assessed and determined that the statutory auditors satisfy the independence requirements envisaged in art. 148, subsection 3 TUF. At the opening meeting, held on 11 May 2017, the Board of Statutory Auditors checked compliance with the requirements of 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 Auditing, Risk & Compliance function to carry out checks on specific operating areas or organizational functions, sharing key information that is essential in order to fulfil their respective duties with the Control and Risks Committee (Application Criteria 8.C.4. and 8.C.5.).

Following the appointment by the Shareholders' Meeting of 28 April 2017, the members of Board of Statutory Auditors of Interpump Group S.p.A. participated in the initiatives prepared by the Chairman of the Board of Directors and by the Control and Risks Committee aimed at providing them with adequate understanding of the sector of activity of Interpump Group S.p.A., the corporate dynamics and the principles of correct management of risks, and of the

reference normative and self-regulatory framework, as described in the heading “Induction Programme” of this report (Application Criterion 2.C.2).

## **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 a transparent and ongoing communications activity. Events dedicated to financial analysts, conference calls and meetings with shareholders and investors are held in the principal financial centres 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.

In the meeting held on 28 April 2017, the Board of Directors resolved to place Luca Mirabelli in charge of relations with institutional investors and the other shareholders, in compliance with the internal procedure for management of confidential information and disclosure of inside information

An organization comprising two executives has been established to manage stockholder relations, for the purpose of coordinating and planning communications with stockholders and financial analysts (Application Criterion 9.C.1.).

## **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 Legislative 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 Legislative 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 ownership structure of Interpump Group S.p.A. during the year.

The market capitalization of Interpump Group S.p.A. increased from 1.7 billion euro on 1 January 2017 to 2.9 billion euro at 31 December 2017.

Market capitalization was 3.2 billion euro on 7 February 2018.

## **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.

## **19.0 CONSIDERATIONS ON THE 13 DECEMBER 2017 LETTER OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

With reference to the recommendations contained in the letter of 13 December 2017 of the Chairman of the Corporate Governance Committee, the Issuer points out that:

- with regard to the pre-meeting information, the Independent Directors considered it to be adequate;
- with regard to the provision of claw-back clauses, we invite you to refer to the specific section of the Remuneration Report;
- with reference to the third area of improvement, concerning the establishment and functions of Appointments Committee, we invite you to refer to the contents of heading 7 (Appointments Committee) of this Report;
- with regard to the succession plans of the executive directors, we refer to the matters more fully described in heading 4.1 (Succession plans) of this Report;
- with regard to the recommendation related to the independent directors, we invite you to refer to the matters more fully described in heading 4.6 of this Report (Independent Directors).

The Board of Directors will however take into account the recommendations contained in the above-mentioned letter during 2018, in order to identify possible areas of improvement.

S. Ilario d'Enza, 15 March 2018

For the Board of Directors  
Fulvio Montipò  
Chairman

## **TABLES**

**TABLE 1: INFORMATION on the OWNERSHIP STRUCTURE**

<b>STRUCTURE OF SHARE CAPITAL</b>				
	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	-	-	-	-

<b>OTHER FINANCIAL INSTRUMENTS</b> <i>(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	-	-	-	-

<b>SIGNIFICANT STAKES IN THE CAPITAL</b>			
Declarant	Direct shareholder	% portion of ordinary capital	% portion of voting capital
GRUPPO IPG HOLDING SPA**	GRUPPO IPG HOLDING SPA	23.335%	23.335%
FMR LLC*	FMR Co, Inc	6.979%	6.979%
	Fidelity Institutional Asset Management Trust Company	0.382%	0.382%
	FIAM LLC	0.448%	0.448%
CLAUDIO BULGARELLI*	FIN TEL SRL	4.133%	4.133%
INTERPUMP GROUP SPA**	INTERPUMP GROUP SPA	1.434%	-

\* Source: Consob updated at 7/02/2018

\*\* Source: Draft financial statements of the company at 31/12/2017

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

Board of Directors													Control and risks committee		Remuneration 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	28/04/2017	App. 2019 financial statements	M	√				1	8/8								
<b>Deputy Chairman</b> •	Paolo Marinsek	1950	27/04/2005	28/04/2017	App. 2019 financial statements	M					-	8/8								
<b>Director</b>	Angelo Busani	1960	28/04/2017	28/04/2017	App. 2019 financial statements	m		√	√	√	1	4/5	4/4	M						
<b>Director</b>	Antonia di Bella	1965	28/04/2017	28/04/2017	App. 2019 financial statements	M		√	√	√	2	5/5								
<b>Director</b> ◦	Franco Garilli	1951	30/04/2014	28/04/2017	App. 2019 financial statements	M		√	√	√	-	8/8	6/6	M	4/4	M	1/1	M		
<b>Director</b>	Marcello Margotto	1961	10/11/2015	28/04/2017	App. 2019 financial statements	M		√	√	√	1	8/8			4/4	P	1/1	P		
<b>Director</b>	Stefania Petruccioli	1967	30/06/2015	28/04/2017	App. 2019 financial statements	M		√	√	√	3	8/8	6/6	M						
<b>Director</b>	Paola Tagliavini	1968	30/04/2014	28/04/2017	App. 2019 financial statement	M		√	√	√	4	8/8	6/6	P						



					s																
<b>Director</b>	Giovanni Tamburi	1954	27/04/2005	28/04/2017	App. 2019 financial statements	M	√				4	8/8			4/4	M	1/1	M			
-----DIRECTORS LAPSED DURING REFERENCE PERIOD-----																					
<b>Director</b>	Giuseppe Ferrero	1946	16/04/2003	30/04/2014	App. 2016 financial statements	M	√					3/3									
<b>Director</b>	Giancarlo Mocchi	1940	17/04/2008	30/04/2014	App. 2016 financial statements	M	√					3/3									
<p><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.</p> <p>*Pursuant to arts. 147-(3) and 148, TUF, and arts. 144-(3) et seq. of the Issuers' Regulation, Consob Resolution no. 20273 of 24 January 2018 identifies the percentage ownership required for the presentation of lists of candidates for the election of the administration and control bodies of Interpump Group S.p.A. to be 1%".</p>																					
<b>Number of meetings held during the reference year:</b>										CRC:6		Rem. Committee: 4		Appointments Committee: 1		Executive Committee: N/A					

#### 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. Offices are specified in their extended form 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": chair; "M": member.

**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 roles ****
Chair	Fabrizio Fagnola	1957	28/04/2017	28/04/2017	App. 2019 financial statements	m	Yes	5/5	-
Statutory auditor	Alessandra Tronconi	1967	30/04/2014	30/04/2014	App. 2016 financial statements	M	Yes	8/8	2
Statutory auditor	Federica Menichetti	1976	28/04/2017	28/04/2017	App. 2019 financial statements	M	Yes	5/5	-
Alternate auditor	Federico Quaiotti	1975	28/04/2017	28/04/2017	App. 2019 financial statements	M			
Alternate auditor	Roberta Senni	1982	28/04/2017	28/04/2017	App. 2019 financial statements	m			
-----AUDITORS LAPSED DURING REFERENCE PERIOD-----									
Chair	Pierluigi De Biasi	1956	30/04/2014	30/04/2014	App. 2016 financial statements	m	Yes	3/3	
Statutory auditor	Paolo Scarioni	1963	28/04/2011	30/04/2014	App. 2016 financial statements	M	Yes	3/3	
<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> <ul style="list-style-type: none"> <li>* Pursuant to arts. 147-(3) and 148, TUF, and arts. 144-(3) et seq. of the Issuers' Regulation, Consob Resolution no. 20273 of 24 January 2018 identifies the percentage ownership required for the presentation of lists of candidates for the election of the administration and control bodies of Interpump Group S.p.A. to be 1%".</li> </ul>									
Number of meetings held during the reference year: 8									

**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)**

In line with the principles indicated in the CoSO (Committee of Sponsoring Organizations) report dated May 2013 (regarding which certain alignment work is in progress), the Chief reporting officer, with support from the Internal Auditing Risk & Compliance 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 Manager in Charge 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 Auditing, Risk & Compliance function.

Based on the results of the checks performed, the Manager in Charge 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 Auditing, Risk & Compliance 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 Chief reporting officer, 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 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 half-yearly 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 method 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 favour, 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 colour 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 favourable 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.