



**TREVI – Finanziaria Industriale S.p.A.**

Registered Office: Via Larga, 201 - 47522 Cesena (FC)

Share Capital: Euro 82,391,632.50 fully paid-up

Listed in the Forlì - Cesena Register of Companies under No. 01547370401

Chamber of Commerce Business Register (REA) of Forlì - Cesena No. 201.271

Tax Code and VAT No. 01547370401

**REPORT  
ON CORPORATE GOVERNANCE  
AND  
OWNERSHIP STRUCTURE**

pursuant to Art. 123-*bis* of the Italian Consolidated Law on Finance  
(traditional administration and control model)

- Issuer: TREVI – Finanziaria Industriale S.p.A.
- Website: [www.trevifin.com](http://www.trevifin.com)
- Financial year: 1 January 2019 – 31 December 2019
- Date of approval of the Report: 29 May 2020
- Website: [www.trevifin.com](http://www.trevifin.com)

## Table of contents

<b>GLOSSARY</b> .....	<b>4</b>
<b>1. ISSUER PROFILE</b> .....	<b>6</b>
<b>2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, ITALIAN CONSOLIDATED LAW ON FINANCE)</b> .....	<b>8</b>
<i>a) Share capital structure (pursuant to Art. 123-bis, paragraph 1, letter a), Italian Consolidated Law on Finance)</i> .....	8
<i>At the date of this Report, the Right of First Refusal Increase and the Capital Increase by Conversion are still in progress, as described in greater detail in Chapter 16 below.</i> .....	9
<i>The Company will provide the data relating to the share capital upon completion of the Capital Increase in accordance with the terms and conditions provided for by the applicable laws and regulations.</i> .....	9
<i>b) Restrictions on the transfer of securities (pursuant to Art. 123-bis, paragraph 1, letter b), Italian Consolidated Law on Finance)</i> .....	9
<i>c) Significant equity investments in the share capital (pursuant to Art. 123-bis, paragraph 1, letter c), Italian Consolidated Law on Finance)</i> .....	10
<i>At the date of this Report, the Right of First Refusal Increase and the Capital Increase by Conversion are still in progress, as described in greater detail in Chapter 16 below.</i> .....	10
<i>d) Securities granting special rights (pursuant to Art. 123-bis, paragraph 1, letter d), Italian Consolidated Law on Finance)</i> .....	11
<i>e) Employee shareholding: mechanism for exercising voting rights (pursuant to Art. 123-bis, paragraph 1, letter e), Italian Consolidated Law on Finance)</i> .....	11
<i>f) Restrictions on voting rights (pursuant to Art. 123-bis, paragraph 1, letter f), Italian Consolidated Law on Finance)</i> .....	11
<i>g) Shareholders' agreements (pursuant to Art. 123-bis, paragraph 1, letter g), Italian Consolidated Law on Finance)</i> .....	11
<i>h) Change of control clauses (pursuant to Art. 123-bis, paragraph 1, letter h), Italian Consolidated Law on Finance) and statutory provisions governing takeover bids (pursuant to Art. 104, paragraph 1-ter and 104-bis, paragraph 1)</i> .....	12
<i>i) Powers to increase share capital and authorisations to purchase treasury shares (pursuant to Art. 123-bis, paragraph 1, letter m), Italian Consolidated Law on Finance)</i> .....	12
<i>l) Management and coordination activities (pursuant to Art. 2497 and following of the Italian Civil Code)</i> .....	13
<i>At the date of this Report, the Right of First Refusal Increase and the Capital Increase by Conversion are still in progress, as described in greater detail in Chapter 16 below.</i> .....	13
<b>3. COMPLIANCE (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER A), ITALIAN CONSOLIDATED LAW ON FINANCE)</b> .....	<b>14</b>
<b>4. BOARD OF DIRECTORS</b> .....	<b>15</b>
4.1 APPOINTMENT AND REPLACEMENT (pursuant to Art. 123-bis, paragraph 1, letter l), Italian Consolidated Law on Finance) .....	15
4.2 COMPOSITION (pursuant to Art. 123-bis, paragraph 2, letter d), Italian Consolidated Law on Finance) .....	19
4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to Art. 123-bis, paragraph 2, letter d), Italian Consolidated Law on Finance) .....	23
4.4 DELEGATED BODIES .....	26
4.5 OTHER EXECUTIVE DIRECTORS .....	27
4.6 INDEPENDENT DIRECTORS.....	27
4.7 LEAD INDEPENDENT DIRECTOR .....	28
<b>5. TREATMENT OF CORPORATE INFORMATION</b> .....	<b>29</b>
<b>6. INTERNAL BOARD COMMITTEES (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D), ITALIAN CONSOLIDATED LAW ON FINANCE)</b> .....	<b>29</b>
6.1 RELATED PARTY COMMITTEE .....	29

<b>7.</b>	<b>APPOINTMENT AND REMUNERATION COMMITTEE .....</b>	<b>31</b>
<b>8.</b>	<b>CONTROL, RISK AND SUSTAINABILITY COMMITTEE.....</b>	<b>33</b>
<b>9.</b>	<b>INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM .....</b>	<b>35</b>
11.1	DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	40
11.2	HEAD OF THE INTERNAL AUDIT FUNCTION.....	40
11.3	ORGANIZATIONAL MODEL pursuant to Italian Legislative Decree 231/2001 .....	41
11.4	AUDITING COMPANY .....	42
11.5	MANAGER IN CHARGE OF FINANCIAL REPORTING .....	43
11.6.	COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	43
<b>10.</b>	<b>DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES.....</b>	<b>44</b>
<b>11.</b>	<b>APPOINTMENT OF STATUTORY AUDITORS.....</b>	<b>44</b>
<b>12.</b>	<b>COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D), ITALIAN CONSOLIDATED LAW ON FINANCE) .....</b>	<b>48</b>
<b>13.</b>	<b>RELATIONS WITH SHAREHOLDERS .....</b>	<b>50</b>
<b>14.</b>	<b>SHAREHOLDERS' MEETINGS (PURSUANT ART. 123-BIS, PARAGRAPH 2, LETTER C), ITALIAN CONSOLIDATED LAW ON FINANCE) .....</b>	<b>50</b>
<b>15.</b>	<b>OTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO. 123-BIS, PARAGRAPH 2, LETTER A), ITALIAN CONSOLIDATED LAW ON FINANCE).....</b>	<b>53</b>
<b>16.</b>	<b>CHANGES SINCE THE END OF THE REPORTING PERIOD .....</b>	<b>3</b>
	<b>TABLE 1: INFORMATION on OWNERSHIP STRUCTURE.....</b>	<b>64</b>
	<b>TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES .....</b>	<b>65</b>
	<b>Board of Directors.....</b>	<b>65</b>
	<b>TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS .....</b>	<b>68</b>
	<b>Board of Statutory Auditors .....</b>	<b>68</b>

TABLES

<u>TAB. 1. INFORMATION on OWNERSHIP STRUCTURE .....</u>	<u>64</u>
<u>TAB. 2. STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES .....</u>	<u>65</u>
<u>OFFICES AS DIRECTOR OR STATUTORY AUDITOR HELD BY EACH DIRECTOR IN OTHER COMPANIES LISTED ON REGULATED MARKETS, INCLUDING FOREIGN MARKETS, OR IN FINANCIAL, BANKING, INSURANCE OR OTHER LARGE COMPANIES.....</u>	<u>66</u>
<u>TAB. 4. STRUCTURE OF THE BOARD OF STATUTORY AUDITORS.....</u>	<u>68</u>

## GLOSSARY

**Investment Agreement:** means the investment agreement signed on 5 August 2019 between the Issuer and the Institutional Shareholders, by virtue of which the latter have undertaken, *inter alia*, commitments to subscribe to the Right of First Refusal Increase according to the following proportions: (i) as to FSI Investimenti S.p.A., up to a maximum amount of Euro 38,728,327.00; and (ii) as to Polaris Capital Management, LLC, in its capacity as Registered Investment Advisor under the US Investment Advisers Act of 1940, on behalf of its investors, up to a maximum subscription amount of Euro 38,728,327.00.

**Restructuring Agreement:** means the debt restructuring agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law signed on 5 August 2019 between, *inter alios*, the Company, Trevi S.p.A. and Soilmec S.p.A., as proposing companies, and the Group's main lending banks, which was approved by decree of the Court of Appeal of Bologna on 10 January 2020.

**Capital Increase:** means, jointly, the Right of First Refusal Increase and the Capital Increase by Conversion, as resolved by the Board of Directors on 17 July 2019 and 24 February 2020, by virtue of the power granted by the Shareholders' Meeting of 30 July 2018.

**Capital Increase for the Conversion of Warrants:** means the divisible capital increase against consideration for a maximum total amount of Euro 19,986,562.21, inclusive of the share premium, which will be implemented through the future issue of a maximum of 1,537,170,662 ordinary shares serving the exercise of a maximum of 1,647,832 warrants (the "**Warrants**") that will be assigned free of charge to the shareholders before the detachment of the right of first refusal relating to the Right of First Refusal Increase (i.e., 4 May 2020). These Warrants can be exercised on the expiry date of the Warrants, which will fall on the fifth anniversary of the issue date, that is to say 5 May 2025.

**Right of First Refusal Increase:** means the indivisible capital increase against consideration to be offered with right of first refusal to the Company's shareholders, for a total amount of Euro 130,001,189.07, inclusive of share premium, to be carried out by 31 May 2020 through the issue of a total of 13,000,118,907 newly issued shares, without nominal value, having the same characteristics as the outstanding shares, with regular dividend right, at an issue price per share of Euro 0.01, resolved by the Board of Directors on 17 July 2019 and 24 February 2020, by virtue of the power granted by the Shareholders' Meeting of 30 July 2018.

**Capital Increase by Conversion:** means the capital increase against consideration, partially divisible up to the amount of Euro 10,593,896.00, for a total amount of Euro 63,137,242.00, to be executed by 31 May 2020 by issuing a total of 6,313,724.200 ordinary shares, without nominal value, having the same characteristics as the outstanding shares, with regular dividend right, at an issue price per share of Euro 0.01, of which Euro 0.001 is to be attributed to the share capital and Euro 0.009 to be attributed to the share premium, to be offered, with the exclusion of the right of first refusal pursuant to Art. 2441, paragraph 5 of the Italian Civil Code, to banks

which have undertaken, within the framework of the Restructuring Agreement, commitments to free them up by voluntarily converting certain, liquid and collectible receivables in the manner, to the extent and in the proportions provided for in the Restructuring Agreement itself and therefore, *inter alia*, according to a receivable conversion ratio of 4.5 to 1, resolved by the Board of Directors on 17 July 2019 and 24 February 2020, by virtue of the power granted by the Shareholders' Meeting of 30 July 2018.

**Code or Corporate Governance Code:** means the Corporate Governance Code, applicable from time to time, promoted by Borsa Italiana S.p.A. to which the Issuer has adhered, and published on the website [www.borsaitaliana.it](http://www.borsaitaliana.it).

**Italian Civil Code:** means the Italian Royal Decree of 16 March 1942, No. 262 and subsequent amendments and additions.

**Board:** means the Issuer's Board of Directors.

**Oil & Gas Divestment:** means the operation to divest the division of the TREVI Group operating in the Oil & Gas segment in favour of MEIL Global Holdings BV, a company belonging to Megha Engineering & Infrastructures Ltd, pursuant to the sale and purchase agreement signed on 5 August 2019.

**Issuer or the Company:** means TREVI - Finanziaria Industriale S.p.A.

**Financial year:** means the financial year closed at 31 December 2019.

**TREVI Group or Group:** means the corporate group headed by TREVI - Finanziaria Industriale S.p.A.

**Italian Bankruptcy Law:** means the Italian Royal Decree of 16 March 1942, No. 267 and subsequent amendments and additions.

**Issuers' Regulation:** means the Regulation issued by Consob with resolution No. 11971 of 1999 (as subsequently amended) on issuers and subsequent amendments and additions.

**Market Regulation:** means the Regulation issued by Consob with resolution No. 16191 of 2007 (as subsequently amended) on markets and subsequent amendments and additions.

**Related Party Regulation:** means the Regulation issued by Consob with resolution No. 17221 of 12 March 2010 (as subsequently amended) on transactions with related parties.

**Report:** means this report on Corporate Governance and Ownership Structure to be drawn up pursuant to Art. 123-*bis* of Italian Consolidated Law on Finance.

**Institutional Shareholders:** means, jointly, FSI Investimenti S.p.A. and Polaris Capital Management, LLC.

**Articles of Association:** means the Articles of Association of TREVI - Finanziaria Industriale S.p.A. available on the website [www.trevifin.com](http://www.trevifin.com).

**Italian Consolidated Law on Finance:** means the Italian Legislative Decree No. 58 of 24 February 1998 (as subsequently amended)

## 1. ISSUER PROFILE

TREVI - Finanziaria Industriale S.p.A. is a public limited liability company incorporated in Italy, regulated and operating under Italian law and listed on the Italian Stock Exchange. The Issuer, the parent company and holding company of the TREVI Group, operates internationally in the foundation engineering segment and, at 31 December 2019, was active in two specific segments:

- Foundations (core business) - Foundation engineering services for civil and infrastructure works, as well as mechanical engineering activities for the production and assembly of machinery and equipment, used for drilling works for special foundations;
- Oil & Gas - Mechanical engineering for the production and assembly of machinery and equipment used for drilling wells for hydrocarbon and water exploration and drilling services for oil and gas extraction.

On 31 March 2020, the divestment of the division of the TREVI Group operating in the Oil & Gas segment to MEIL Global Holdings BV, a group company owned by Megha Engineering & Infrastructures Ltd (the “**MEIL Group**”), was completed. Specifically, pursuant to the sale and purchase agreement signed on 5 August 2019, the entire share capital of Drillemec S.p.A., Drillemec Inc. and Petreven S.p.A. was transferred to the MEIL Group, for a total amount of approximately Euro 116.4 million (the “**Oil & Gas Divestment**”).

Therefore, at the date of preparation of this report, the TREVI Group operates exclusively in the Foundations segment.

At 31 December 2019, the activities above were carried out by four main operating companies of the Group:

- Trevi S.p.A., world leader in the field of underground engineering services, special foundations, tunnel excavations and ground consolidation works;
- Soilmec S.p.A., which manufactures and markets equipment for soil engineering at an international level;
- Petreven S.p.A., which operates in the drilling segment, providing drilling services for oil and gas extraction;
- Drillmec S.p.A., which designs, manufactures and markets drilling rigs for hydrocarbon and water exploration.

As mentioned above, following the Oil & Gas Divestment, the companies Petreven S.p.A. and Drillmec S.p.A. (as well as their subsidiaries operating in the Oil & Gas segment and Drillmec Inc.) are no longer part of the TREVI Group.

The TREVI Group is also active in the renewable energy segment, mainly in the wind power segment, through its subsidiary Trevi Energy S.p.A.

The Group was founded in Cesena in 1957 and today has about 85 companies and, with dealers and distributors, is present in over 70 countries. The Issuer, which has been listed on the Milan Stock Exchange since 15 July 1999, has always been committed to defining an articulated and homogeneous system of rules of conduct relating both to its organisational structure and to its relations with stakeholders in order to ensure maximum transparency in the operations of its management, including through the care and updating of information in Italian and English, available on its website ([www.trevifin.com](http://www.trevifin.com)).

The Issuer has adhered to the general principles of the Corporate Governance Code as a tool for improving its rules of Corporate Governance and its internal organisation in order to direct management towards the creation of value for shareholders with positive effects on other stakeholders (customers, creditors, suppliers, employees, the community and external interest groups in general).

The Company has adopted the Corporate Governance Code published by the Corporate Governance Committee - Borsa Italiana applicable from time to time.

The Shareholders' Meeting represents the entirety of the shareholders of TREVI - Finanziaria Industriale S.p.A. and it is here that the will of the Company is expressed by the Board of Directors.

The functioning of the Shareholders' Meeting is governed by current Italian legislation and the Articles of Association.

The organisational structure of TREVI - Finanziaria Industriale S.p.A. is based on the traditional administration and control model, in which management is entrusted exclusively to the Board of Directors, elected by the Shareholders' Meeting, the central governing body of the Company; control functions are assigned to the Board of Statutory Auditors and auditing functions to the external auditing company appointed by the Shareholders' Meeting.

The Issuer's Corporate Governance system is based on the centralised management and supervision by the Board of Directors, as well as the role of control exercised by the independent directors, the committees within the Board of Directors and the Board of Statutory Auditors of the Issuer.

The Board of Directors considered it of fundamental importance to clearly define the values and principles that guide the actions of TREVI - Finanziaria Industriale S.p.A., both within its own structure and outside it, setting them out in its Code of Ethics, the latest revision of which was approved at the Board of Directors' meeting on 6 March 2018; the Code of Ethics is available on the company website at [www.trevifin.com/en/risks-and-controls](http://www.trevifin.com/en/risks-and-controls).

This Code of Ethics expresses the commitments and ethical responsibilities in the conduct of business and company activities undertaken by the collaborators, directors and employees of TREVI - Finanziaria Industriale S.p.A. and the companies it directly or indirectly controls.

## **2. INFORMATION ON OWNERSHIP STRUCTURE (pursuant to Art. 123-bis, paragraph 1, Italian Consolidated Law on Finance)**

### **a) Share capital structure (pursuant to Art. 123-bis, paragraph 1, letter a), Italian Consolidated Law on Finance)**

#### **Share capital structure at 31 December 2019**

At 31 December 2019, the share capital of TREVI - Finanziaria Industriale S.p.A. amounted to Euro 82,391,632.50, fully subscribed and paid-up, and consisted of 1,647,832 ordinary shares without nominal value.

At 31 December 2019, there were no active share-based incentive plans involving increases, including free of charge, in the share capital.

#### **Share capital structure at the date of this Report**



At the date of this Report, the Right of First Refusal Increase and the Capital Increase by Conversion are still in progress, as better described in Chapter 16 below.

The Company will provide the data relating to the share capital upon completion of the Capital Increase in accordance with the terms and conditions provided for by applicable laws and regulations.

In any case, on the basis of the commitments undertaken pursuant to the Investment Agreement and the Restructuring Agreement, and on the basis of the information currently available to the Company, it is possible to anticipate that at the date of this Report the share capital structure is as follows:

- 25.67% held by FSI Investimenti S.p.A. (subsidiary of CDP Equity);
- 25.67% held by Polaris Capital Management, LLC;
- 41.85% held by banks and financial institutions that have entered into subscription commitments under the Restructuring Agreement; and
- 6.81% held by other investors.

**b) Restrictions on the transfer of securities (pursuant to Art. 123-bis, paragraph 1, letter b), Italian Consolidated Law on Finance)**

At 31 December 2019 and at the date of preparation of this Report, the following restrictions exist on the free transferability of TREVI - Finanziaria Industriale S.p.A. shares:

- under the terms of the Investment Agreement, each of the Institutional Shareholders has undertaken for the twelve months following the closure of the Capital Increase not to carry out any sales transactions, acts of disposition and/or in any case transactions whose purpose and/or effect is, directly or indirectly, the attribution and/or transfer to third parties, for any reason and in any form, of the shares respectively subscribed and fully paid up by the Institutional Shareholders under the terms of the Investment Agreement, as well as not to approve and/or carry out transactions on derivative instruments, which have the same effects, even if only economic, as the transactions referred to above; and
- under the terms of the Restructuring Agreement, each of the banks party to such agreement which, upon completion of the Capital Increase, will own a shareholding in the Company's share capital greater than 1%, has undertaken, for ninety calendar days following the closing date of the Capital Increase, not to engage in any sales transactions, acts of disposition and/or any other transactions whose purpose or effect is to attribute or transfer to third parties, for any reason and in any form whatsoever of the shares subscribed for in the context of the Capital Increase (or of other financial instruments, including equity instruments, which grant the right to purchase, subscribe for, convert into and/or exchange with such shares and/or other financial instruments, including equity instruments, which grant rights inherent in and/or similar to such shares or financial instruments), and not to approve and/or carry out transactions on derivative instruments which have the same effects, even if only economic, as the transactions referred to above. These commitments do not include

transactions involving the shares subscribed under the Capital Increase concluded by the banks: **(a)** with other banks that have undertaken commitments to subscribe to the Capital Increase as part of the Restructuring Agreement; and/or **(b)** with their subsidiaries or associates, provided that, and to the extent that, such companies undertake commitments similar to those above.

**c) Significant shareholdings in the share capital (pursuant to Art. 123-bis, paragraph 1, letter c), Italian Consolidated Law on Finance)**

**Significant shareholdings in the share capital at 31 December 2019**

At 31 December 2019, the Company was controlled by the European company, based in Italy, TREVI Holding SE, which, at 31 December 2019, held 523,201 ordinary shares, equal to 31.751% of the share capital.

At 31 December 2019, on the basis of the communications made to the Company and Consob pursuant to Art. 120 of the Italian Consolidated Law on Finance, the following significant shareholdings in the capital of Trevifin resulted:

- FSI Investimenti S.p.A. with a shareholding of 16.852%;
- Polaris Capital Management LLC (USA) with a shareholding of 10.007%.

At 31 December 2019 and at the date of preparation of this Report, the Company held 2,039 treasury shares, representing, prior to the Capital Increase, 0.124% of the share capital of the same Company.

The shares held by Directors and Statutory Auditors in office at 31 December 2019 are indicated in the Notes to the Financial Statements for the year ended 31 December 2019.

**Significant shareholdings in the share capital at the date of this Report**

At the date of this Report, the Right of First Refusal Increase and the Capital Increase by Conversion are still in progress, as better described in Chapter 16 below.

Those who hold shareholdings in the Company's share capital as a result of the Right of First Refusal Increase and the Capital Increase by Conversion to a significant extent pursuant to Art. 120 of the Italian Consolidated Law on Finance shall make the notifications required by the regulations.

In any case, on the basis of the commitments undertaken pursuant to the Investment Agreement and the Restructuring Agreement, and on the basis of the information currently available to the Company, it is possible to anticipate that at the date of this Report, the following significant shareholdings result in the Company's share capital:

- 25.67% held by FSI Investimenti S.p.A. (subsidiary of CDP Equity);
- 25.67% held by Polaris Capital Management, LLC;
- 41.85% held by banks and financial institutions that have entered into subscription commitments under the Restructuring Agreement; and

- 6.81% held by other investors.

**d) Securities granting special rights (pursuant to Art. 123-bis, paragraph 1, letter d), Italian Consolidated Law on Finance)**

At 31 December 2019 and at the date of preparation of this Report, there are no securities that confer special rights of control or special powers.

**e) Employee shareholding: mechanism for exercising voting rights (pursuant to Art. 123-bis, paragraph 1, letter e), Italian Consolidated Law on Finance)**

At 31 December 2019 and at the date of preparation of this Report, no employee shareholding is envisaged.

**f) Restrictions on voting rights (pursuant to Art. 123-bis, paragraph 1, letter f), Italian Consolidated Law on Finance)**

At 31 December 2019 and at the date of preparation of this Report, there are no restrictions on voting rights or systems in which, with the cooperation of the Issuer, the financial rights attached to the securities are separate from the holding of the securities.

**g) Agreements between shareholders (pursuant to Art. 123-bis, paragraph 1, letter g), Italian Consolidated Law on Finance)**

The Investment Agreement contains shareholders' agreements that governed the appointment of the Company's Board of Directors and the Board of Statutory Auditors in office at the date of this Report, as well as the identification of the Chief Executive Officer and the CRO within the administrative body, which took place on 30 September 2019. In particular, the Board of Directors of the Company in office at the date of this Report was appointed on the basis of the only list presented, consisting of eleven candidates, submitted jointly by the Institutional Shareholders.

In the Investment Agreement, the Institutional Shareholders declared and agreed that the above provisions constituted the only shareholder commitments relating to the Company's corporate governance and that, following the above determinations, these commitments would cease to exist and the Institutional Shareholders would not undertake any other shareholder commitments or obligations relating to the Company's corporate governance. The aforesaid shareholders' agreements relating to voting and blocking commitments, contained in the Investment Agreement, are relevant pursuant to Art. 122 of the Italian Consolidated Law on Finance and have been published in accordance with the law.

In addition, again pursuant to the Investment Agreement, each of the Institutional Shareholders has undertaken, for the twelve months following the closure of the Capital Increase, not to engage in sales, acts of disposition and/or transactions whose purpose and/or effect is, directly or indirectly, to allocate and/or transfer to third parties, for any reason and in any form, the shares respectively subscribed and fully paid up by the Institutional

Shareholders pursuant to the Investment Agreement, and not to approve and/or carry out transactions on derivative instruments that have the same effects, even if only economic, as the transactions referred to above.

**h) Change of control clauses (pursuant to Art. 123-bis, paragraph 1, letter h), Italian Consolidated Law on Finance) and statutory provisions governing takeover bids (pursuant to Articles 104, paragraph 1-ter and 104-bis, paragraph 1)**

The Restructuring Agreement provides for the mandatory early repayment of the financial debt covered by the same Restructuring Agreement (including the new loan provided in execution of the said Agreement) in certain cases of change of control over the Company and one or more of its subsidiaries Trevi S.p.A., Soilmec S.p.A., RCT S.r.l. and PSM S.p.A.

In particular, under the terms of the Restructuring Agreement, one of the following situations constitutes grounds for mandatory early repayment:

- (i) the occurrence of any event or circumstance as a result of which, after completion of the Capital Increase of Trevifin, a person acquires individually or acting in concert with other persons (including under shareholders' agreements) control of Trevifin; or
- (ii) one or more of Trevi S.p.A., Soilmec S.p.A., RCT S.r.l. and PSM S.p.A. cease to be under the direct or indirect control of Trevifin.

For the purposes of this clause, the term "control" has the meaning set out in Art. 2359 of Italian Civil Code and/or Art. 93 of the Italian Consolidated Law on Finance.

At 31 December 2019 and at the date of preparation of this Report, it is indicated that, with regard to takeover bids:

- the Company Articles of Association do not derogate from the provisions on the passivity rule provided for by Art. 104, paragraphs 1 and 1-bis of the Italian Consolidated Law on Finance;
- the Company Articles of association do not provide for the application of the neutralisation rules provided for by Art. 104-bis, paragraphs 2 and 3, of the Italian Consolidated Law on Finance.

**i) Powers to increase share capital and authorisations to purchase treasury shares (pursuant to Art. 123-bis, paragraph 1, letter m), Italian Consolidated Law on Finance)**

On 30 July 2018, the Shareholders' Meeting of Trevifin, convened on second call, adopted a resolution on the proposal of the shareholder Trevi Holding S.E. (subsequently adjusted for the correction of a material error on 7 August 2018 by a notarial deed executed by Marcello Porfiri, Notary in Cesena, record No. 11.358 folder No. 5.227 - on the proposal of the Chairman of the Board of Directors approved by the Company' Board of Directors with its resolution of acknowledgement dated 3 August 2018) that established - as per the last text registered in the competent Register of Companies - to "*grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the right to increase the share capital against consideration, in one or more times, even in divisible form, for a maximum period of 24 months from the date of the resolution*

*and for a maximum amount of Euro 400 million (of which, in cash, not exceeding the maximum amount of Euro 150 million). This increase is to be made by issuing ordinary shares without nominal value, having the same characteristics as the outstanding shares, subject to verification by the Board of the existence and compliance with the conditions established by law, with the right for the Board to determine the issue price and any share premium, the procedures for the relating subscription, also through the conversion of receivables towards the Company, and the number of new shares from time to time issued. This is subject to an increase made with the right of first refusal and, should banks use receivables to free up financial instruments, they must be participatory financial instruments and not shares, unless the circumstance that banks use receivables to free up shares constitutes a necessary element for the success of the part of the increase to be released by payment in cash, it being understood that the faculty conferred to the Board of Directors may be exercised only in connection with a debt restructuring agreement pursuant to Article 182-bis of the Italian Royal Decree No. 267 dated 16 March 1942”.*

On 17 July 2019, the Board of Directors of Trevifin, in execution of the power granted to it by the Company’s Extraordinary Shareholders’ Meeting pursuant to Art. 2443 of the Italian Civil Code, therefore resolved to implement the Capital Increase of the Company and the Capital Increase for the Conversion of Warrants.

At 31 December 2019 and at the date of preparation of this Report, the Company held 2,039 treasury shares, representing, prior to the Capital Increase, 0.124% of the share capital of the same Company.

#### **D) Management and coordination activities (pursuant to Art. 2497 and following of the Italian Civil Code)**

Pursuant to Art. 93 of the Italian Consolidated Law on Finance, at 31 December 2019, TREVI - Finanziaria Industriale S.p.A. was directly controlled by the European company TREVI Holding SE (with registered office in Cesena), which was in turn controlled by the company I.F.I.T. S.r.l.

At the date of this Report, the Right of First Refusal Increase and the Capital Increase by Conversion are still in progress, as described in greater detail in Chapter 16 below.

Those who hold shareholdings in the Company’s share capital as a result of the Right of First Refusal Increase and the Capital Increase by Conversion to a significant extent pursuant to Art. 120 of the Italian Consolidated Law on Finance shall make the notifications required by the regulations.

With regard to reporting, pursuant to Art. 2497 of the Italian Civil Code, relating to management and coordination activities possibly performed by parents, it is reported that at 31 December 2019 and at the date of this Report, the Company had not made any statements regarding any management and coordination activities on behalf of parents, since: (a) prior to 31 December 2019, the Board of Directors of TREVI - Finanziaria Industriale S.p.A., considered that, although in the context of a control of the corporate strategies and policies of the TREVI Group indirectly conducted by I.F.I.T. S.r.l., the Company was completely independent of its parent

company from an operational and financial point of view and had not carried out, either in 2019 or in previous financial years, any corporate transaction even in the interest of the parent company; and (b) at the date of this Report, and subsequent to the Capital Increase, it does not appear that any of the shareholders exercises any management and coordination activities or holds any controlling interest.

At the date of this Report, TREVI - Finanziaria Industriale S.p.A. is the Parent of the TREVI Group (and therefore it prepares the Group's consolidated Financial Statements) and, pursuant to Art. 2497 of the Italian Civil Code, it manages and coordinates the directly controlled companies:

Trevi S.p.A., 99.78% directly held;

Soilmec S.p.A., 99.92% directly held;

R.C.T. S.r.l., 99.78% indirectly held (100% owned by TREVI S.p.A.);

Trevi Energy S.p.A., 100% directly held by a sole shareholder;

PSM S.p.A., 99.95% indirectly held (100% owned by Soilmec S.p.A.);

Immobiliare SIAB S.r.l., 100% directly held by a sole quotaholder.

\*\*\*

It should be noted that:

the information required by Art. 123-*bis*, paragraph 1, letter i), of the Italian Consolidated Law on Finance "Agreements between companies and directors, which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid" is contained in the report on remuneration published pursuant to Art. 123-*ter* of the Italian Consolidated Law on Finance;

the information required by Art. 123-*bis*, paragraph 1, letter l), of the Italian Consolidated Law on Finance "rules applying to the appointment and replacement of Directors, and to amendments to the Articles of Association if different from those applied as a supplementary measure" is illustrated in the section of the report dedicated to the Board of Directors (section 4.1).

### **3. COMPLIANCE (pursuant to Art. 123-*bis*, paragraph 2, letter a), Italian Consolidated Law on Finance)**

At the date of this Report, TREVI - Finanziaria Industriale S.p.A. adheres to the "Corporate Governance Code for Listed Companies" applicable from time to time, prepared by Borsa Italiana S.p.A. and accessible to the public on its website [www.borsaitaliana.it](http://www.borsaitaliana.it).

Neither TREVI - Finanziaria Industriale S.p.A. nor its strategically important subsidiaries are subject to non-Italian legislation that affects the corporate governance structure of the Company.

## **4. BOARD OF DIRECTORS**

### **4.1 APPOINTMENT AND REPLACEMENT (pursuant to Art. 123-bis, paragraph 1, letter I), Italian Consolidated Law on Finance)**

Pursuant to the provisions of Italian Law 262/05 (the so-called “Savings Act”) and the related Italian Legislative Decree 303/06 (the so-called Corrective Decree), Article 26 of the Articles of Association of TREVI - Finanziaria Industriale S.p.A. provides for the appointment and replacement of the Board of Directors by means of “list voting”.

Directors are appointed by the Ordinary Shareholders’ Meeting, in accordance with the procedures set out below. The appointment is made in compliance with the criterion of distribution of the directors to be elected provided for by the regulations on gender balance applicable from time to time.

The appointment of the office of Director is subject to the possession of the requirements provided for by the laws and regulations in force.

Directors remain in office for three financial years or for a shorter time, as established by the Shareholders’ Meeting and they may be re-elected. Their term of office expires on the date of the Shareholders’ Meeting called to approve the financial statements for the last financial year of their office. If, at the end of the term indicated, the Shareholders’ Meeting has not provided for new appointments, the directors shall remain in office with full powers, until the administrative body is reformed. If, over the course of the financial year, one or more directors cease to hold office, the others shall replace them, in accordance with the provisions of Article 26 of the Articles of Association, in relation to the provisions of the law in force for the time being concerning independent directors and gender balance, without prejudice to the principle of the necessary representation of minorities, by a resolution approved by the Board of Statutory Auditors, provided that the majority is still made up of directors appointed by the Shareholders’ Meeting. Directors thus appointed remain in office until the next Shareholders’ Meeting. If there is no longer a majority of directors appointed by the Shareholders’ Meeting, those remaining shall convene a meeting to replace the missing directors. The term of office of Directors thus appointed expires at the same time as the term of those in office at the time of their appointment. If all the directors cease to hold office, the Shareholders’ Meeting for appointing the administrative body shall be urgently convened by the Board of Statutory Auditors which may, in the meantime, carry out the acts of ordinary administration.

Members of the Board of Directors are elected on the basis of lists. The names of the candidates shall appear on the lists in numerical order. Each list shall contain at least one candidate meeting the independence requirements laid down by the applicable legislation in force for the time being and by the Corporate Governance Code for Listed Companies, and each list presenting a number of candidates equal to or greater than three shall contain at least two candidates meeting the independence criteria. If, on the basis of the laws on gender balance applicable from time to time, mandatory gender criteria shall be complied with, each list that presents a number of candidates equal to or greater than three shall contain candidates of different gender and, in particular, shall contain a number of candidates of the less represented gender that is, with respect to the total, at

least equal to the quota indicated in the notice of call of the meeting, so that compliance with the mandatory gender quotas pursuant to the laws applicable from time to time is in any case guaranteed. The lists shall be filed at the Company's registered office, as indicated in the notice of call of the meeting, no later than the twenty-fifth day prior to the date of the meeting called to resolve on the appointment of the members of the Board of Directors and made available to the public at the Company's registered office, on the Company's website and by any other means provided for by the laws and regulations in force for the time being, at least twenty-one days before the date of the meeting. Any list submitted by the outgoing Board of Directors pursuant to (ii) below shall be filed at the Company's registered office and published in the manner described above no later than the thirtieth day prior to the date of the shareholders' meeting called to resolve on the appointment of the members of the Board of Directors.

Each shareholder, shareholders who are parties to a shareholders' agreement, according to the provisions of Art. 122 of the Italian Consolidated Law on Finance, the parent company, subsidiaries and joint-ventures, pursuant to Art. 93 of the Italian Consolidated Law on Finance, may not submit or contribute to submit, even through a third party or trust company, more than one list, nor may they vote, even through a third party or trust company, for lists other than the one they have submitted or participated in submitting, and each candidate may only appear on one list, on pain of ineligibility. Any endorsement and vote cast in violation of this prohibition shall not be attributed to any list. The following shall have the right to submit lists: (i) the Shareholders who, alone or together with other Shareholders, own the total shareholding identified in accordance with the provisions of the laws and regulations in force and which will be notified from time to time in the notice of call of the Shareholders' Meeting and (ii) the outgoing Board of Directors, subject to the non-binding favourable opinion of the internal board committee responsible for appointments. In the latter case, any list submitted by the outgoing Board of Directors shall contain (i) a number of candidates at least equal to the minimum number of Directors from time to time provided for by the Articles of Association, (ii) a number of candidates meeting the independence requirements at least equal to those to be elected pursuant to the applicable laws and regulations as well as the Articles of Association in force and (iii) a number of candidates belonging to the less represented gender at least equal to those to be elected in order to allow compliance with the laws and regulations on gender balance applicable from time to time. Ownership of the minimum shareholding required for the submission of lists is determined by considering the 9 shares registered in favour of the shareholder(s) on the day on which the lists are filed at the Company's registered office.

Together with each list, within the terms indicated above, the following shall be filed: (i) declarations in which the individual candidates accept their candidacy and certify, under their own responsibility, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed for the assumption of the respective offices and any independence requirements prescribed by the applicable regulations in force for the time being and by the Corporate Governance Code for Listed Companies and (ii) a curriculum vitae of each candidate containing the personal and professional characteristics of the same and a certification of any suitability to be qualified as independent, as well as (iii) the additional information required by the provisions of law and regulations, which will be indicated in the notice of call of the Shareholders' Meeting.



The certification issued by an authorised intermediary proving the ownership of the number of shares necessary for the presentation of the list shall be produced at the time of the filing of the list itself or even at a later date, provided that it is within the deadline set for the publication of the lists by the Company.

Any lists that do not comply with the above terms and conditions shall not be considered properly submitted. Each person entitled to vote may vote for only one list. The election of the Board of Directors shall proceed as follows: a) 9 (nine) Directors shall be taken from the list that has obtained the highest number of votes cast by those entitled to vote (the "Majority List"), in the progressive order in which they are listed on the list itself; b) the remaining 2 (two) Directors shall be taken from the other lists that are not connected in any way, not even indirectly, with the shareholders who have submitted or voted for the list that came first in terms of number of votes (the "Minority Lists"); to this end, the votes obtained from the lists themselves shall be divided successively by one and by two. The resulting ratios shall be progressively assigned to the candidates on each of these lists, according to the order in which they appear on them. The ratios thus attributed to the candidates on the various lists shall be arranged in a single decreasing ranking. Those candidates who have obtained the highest ratios shall be elected. If several candidates have obtained the same ratio, the candidate on the list that has not yet elected a director shall be elected. In the event of an equal number of votes, and again with the same ratio, a new vote shall be held by the entire Shareholders' Meeting, which shall pass resolutions in accordance with the statutory majorities. Without prejudice to the foregoing, in the sole case in which the Majority List has obtained a percentage of votes equal to or greater than 80% (eighty per cent) of the votes cast by those entitled to vote, all the Directors to be elected shall be taken from the Majority List, in the progressive order in which they are listed on that list, except for one director which shall be taken from the Minority List obtaining the highest number of votes after the Majority List. If, following the application of the foregoing, the minimum number of independent Directors and/or Directors belonging to the least represented gender pursuant to the laws and regulations in force for the time being, is not elected, the following procedure shall be adopted:

(i) the candidates who would be elected in the various lists (and thus, both in the Majority List and in the Minority Lists) shall be arranged in a single decreasing ranking, formed according to the ratio system set forth in letter b) above;

(ii) if the necessary minimum number of independent Directors is not elected, the candidate who does not meet the independence requirements and has the lowest ratio in the ranking list referred to in (i) above shall be replaced by the first of the candidates meeting the independence requirements who is not elected and belongs to the same list as the candidate being replaced. If there are no other eligible candidates on this list, the candidate not meeting the independence requirements who has the lowest ratio in the 10 ranking list referred to in point (i) above shall be replaced by the first of the candidates meeting the independence requirements who would not be elected on the basis of the ranking list referred to in point (i) above. If several candidates not meeting the independence requirements have obtained the same lowest ratio in the ranking list, the candidate on the list from which the greatest number of Directors is drawn or, secondarily, the candidate drawn from the list that obtained the smallest number of votes shall be replaced. In the event that, following the application of the above, the minimum number of independent Directors is not elected, the

Shareholders' Meeting shall resolve by statutory majority to replace the candidate, ensuring compliance with the requirements of the law and the Articles of Association on independence; (iii) in the event that the required minimum number of Directors of the less represented gender is not elected, the candidate of the more represented gender having the lowest ratio in the ranking list referred to in (i) above shall be replaced, provided that the minimum number of independent Directors is respected, by the first of the candidates of the less represented gender who would not be elected and belonging to the same list as the replaced candidate. If there are no other suitable candidates on this list, the candidate of the less represented gender having the lowest ratio in the ranking list referred to in point (i) above shall be replaced by the first of the candidates of the less represented gender who would not be elected on the basis of the ranking list referred to in point (i) above. If more than one candidate of the more represented gender obtains the same lowest ratio in the ranking list, the candidate from the list from which the highest number of Directors is drawn or, secondarily, the candidate drawn from the list that obtained the lowest number of votes shall be replaced. In the event that, following the application of the above, the minimum number of Directors of the less represented gender is not elected, the Shareholders' Meeting shall resolve, with the statutory majority required by law, to replace the candidate ensuring that the gender requirement is met. If the number of candidates included in the lists submitted, both majority and minority, is lower than the number of Directors to be elected, the remaining Directors are elected by the Shareholders' Meeting with the statutory majorities, without prejudice to the obligation of the Shareholders' Meeting to appoint a number of Directors belonging to the least represented gender and a number of independent Directors not lower than the minimum established by the Articles of Association and by the regulations in force from time to time. If only one list is submitted or if no list at all is submitted, the Shareholders' Meeting shall resolve with the statutory majorities, in compliance with the regulations on independent Directors and gender balance applicable from time to time, without complying with the above procedure. If, during the financial year, one or more Directors cease to hold office, including as a result of the termination of an independent Director who, subsequent to appointment, loses the independence requirements, and provided that the majority is still made up of Directors appointed by the Shareholders' Meeting, the following steps will be taken pursuant to Article 2386 of the Italian Civil Code: i) the Board of Directors shall appoint replacements from among the candidates belonging to the same list to which the outgoing Directors belonged, in progressive order, starting from the first non-elected candidate, it being understood that: (1) if the replacement shall meet the independence requirements, the first unelected independent candidate on the same list shall be appointed and (2) if the minimum gender quotas provided for by the applicable laws on gender balance shall be reinstated, the first unelected candidate on the same list belonging to the less represented gender shall be appointed; ii) if the Directors who have ceased to hold office belong to a Minority List and there are no previously unelected candidates remaining from that list or who do not meet the criteria set out in points (1) and (2) above, the Board of Directors shall replace the Directors who have ceased to hold office by appointing - in accordance with the applicable provisions of the law and the Articles of Association on the subject of independent Directors and the rules on gender balance applicable from time to time - replacements from among the candidates on the Minority List that received the highest number of votes from the remaining Minority Lists. If the lists from which the replacements should be drawn pursuant to points i) and ii) above do not contain any previously unelected candidates or, in any event, no candidates who meet the criteria set out in points (1) and (2) above, the replacements shall be drawn pursuant to Art. 2386

without complying with the provisions of points i) and ii) above, although in accordance with the applicable provisions of the law and the Articles of Association on the subject of independent Directors and the rules on gender balance applicable from time to time. For resolutions on the replacement of Directors pursuant to Art. 2386 of the Italian Civil Code, the Shareholders' Meeting shall resolve in accordance with the statutory majorities without list constraints, taking care to ensure (a) the presence in the Board of Directors of the number of members meeting the independence requirements prescribed by the Articles of Association and by the laws and regulations in force, and (b) the compliance with the regulations on gender balance applicable from time to time.

#### **4.2 COMPOSITION (pursuant to Art. 123-bis, paragraph 2, letter d), Italian Consolidated Law on Finance)**

By virtue of the Articles of Association, the Board of Directors is composed of 11 members, not necessarily shareholders, of which at least 4 (four) meet the independence requirements prescribed by the applicable legislation in force at the time and by the Corporate Governance Code for Listed Companies.

The Board of Directors of TREVI - Finanziaria Industriale S.p.A. in office at 31 December 2019 and in office at the date of approval of this Report was appointed by the Shareholders' Meeting of 30 September 2019, for the financial years 2019 - 2020 - 2021 and the term of office expires with the approval of the financial statements at 31 December 2021.

Director Luca d'Agnesse was appointed Chairman by board resolution on 30 September 2019; Director Giuseppe Caselli was appointed Chief Executive Officer by board resolution on 30 September 2019; Director Sergio Iasi was appointed Chief Restructuring Officer by board resolution on 30 September 2019.

During the Shareholders' Meeting held on 30 September 2019, a single list of candidates was submitted by the shareholders FSI Investimenti S.p.A. and Polaris Capital Management, LLC and specifically in the persons of Cristina Finocchi Mahne, Luca d'Agnesse, Luca Caviglia, Alessandro Piccioni, Sergio Iasi, Giuseppe Caselli, Rita Rolli, Marta Dassù, Elisabetta Oliveri, Cesare Trevisani and Stefano Trevisani. All Director candidates were elected from the only list submitted, with the favourable vote of 100% of the voting capital attending the Meeting. The curricula vitae of each Director containing their personal and professional details, the declarations of acceptance of office, the declaration that they do not carry out any activity in competition with the Company, that they are not in any of the situations of ineligibility and incompatibility set out in Art. 2382 of Italian Civil Code and that they comply with the requirements of integrity set out in the combined provisions of Art. 147 – *quinquies* of Italian Consolidated Law on Finance and the Ministry of Justice Decree No. 62 of 30 March 2000, have been filed at the registered office.

<b>First and last name</b>	<b>Office</b>	<b>Date of first appointment</b>
Luca d'Agnesè	Chairman	2019
Cesare Trevisani	Vice Chairman	1983
Giuseppe Caselli	Chief Executive Officer	2019
Sergio Iasi	Chief Restructuring Officer	2017
Elisabetta Oliveri	Board Director	2019
Cristina Finocchi Mahne	Board Director	2013
Luca Caviglia	Board Director	2019
Alessandro Piccioni	Board Director	2019
Marta Dassù	Board Director	2015
Rita Rolli	Board Director	2015
Stefano Trevisani	Board Director	1998

The Board in office at the date of approval of this Report is composed of eleven members, including three executive Directors (Stefano Trevisani - in compliance with the criterion 2.C.1. of the Corporate Governance Code - is considered as such because he holds the position of Chief Executive Officer in a subsidiary of the Issuer), three non-executive Directors and five non-executive and independent Directors.

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

At its meeting of 16 October 2014, the Board of Directors defined a general criterion regarding the maximum number of administration and control positions held in other companies (criterion 1.C.3), in order to ensure that the persons concerned have sufficient time available to guarantee an effective performance of the role they hold on the Board of Directors of TREVI - Finanziaria Industriale S.p.A.

As a matter of principle, holding the position of director or statutory auditor in more than six companies other than those controlled by or associated with TREVI - Finanziaria Industriale S.p.A. is not considered compatible with the position of independent director of TREVI - Finanziaria Industriale S.p.A., when they are (i) listed companies included in the FTSE/MIB index (or equivalent foreign indices), or (ii) companies that carry out banking or insurance activities, or (iii) companies referred to in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code that individually or as a whole at Group level, when they draw up consolidated financial statements, have (i) revenue from sales and services of over Euro 500 million or (ii) Statement of Financial Position assets of over Euro 800 million.

As regards Executive Directors, it is not deemed compatible for the same director to hold more than four offices in the companies under (i), (ii) and (iii) above.

The offices held in more than one company belonging to the same group are considered as a single office, with the executive office taking priority over the non-executive one.

It is up to the Board of Directors of TREVI - Finanziaria Industriale S.p.A. to grant any derogation (including temporary derogations) to the maximum number of offices that

shall be justified. Any derogations granted will be reported in the Annual Report on Corporate Governance and Ownership Structure.

No derogations were requested in the period covered by this report.

The same Board of Directors meeting of 16 October 2014 expressed its opinion on the assessment of the criteria for the appointment of the members of the Board of Directors and its Committees, in application of the provisions of point 5.C.1. of the Corporate Governance Code applicable for the time being, taking into account the assessment on the functioning of the Board of Directors and its Committees, as well as with regard to the skills and professional figures whose presence within the Board of Directors or its Committees is considered appropriate so that its orientation can be expressed to the Shareholders before a possible appointment of a new Board.

In this regard, the Board has specified that, when identifying the optimal composition of the Board and its Committees, as well as the professional figures whose presence may favour a correct and effective functioning of those corporate bodies, the following minimum parameters shall be taken into account:

- (a) compliance with the eligibility requirements set out by law and regulations on the basis of the functions and roles held within the corporate bodies;
- (b) proven professionalism and experience in the industrial, financial or legal field;
- (c) previous experience for a suitable period in positions of similar responsibility or in top management positions, also with an international profile;
- (d) absence of conflicts of interest, also with reference to any positions in competing companies;
- (e) integrity and ethics in the performance of duties of similar responsibility;
- (f) any other criterion deemed appropriate, necessary and appropriate in view of the functions and roles they are called upon to perform within the corporate bodies.

The Board of Directors assessed that the current members of the Board of Directors have a reduced number of existing offices that allow them to effectively carry out their role as Issuer's Directors and, for the Independent Directors, to take part in the committees set up within the Board.

The Company's Directors believe that they can spend the necessary time to carry out their duties, also taking into account the commitment related to their professional activities and the number of offices held in other listed companies (both Italian and foreign), in financial, banking, insurance or large-sized companies (criterion 1.C.2).

## **Cross – directorship**

Pursuant to the criterion 3.C.1 letter f), at the date of appointment of the Board of Directors, at 31 December 2019 and at the date of drawing up this Report, there are no situations of cross offices in two issuers not belonging to the same Group between Chief Executive Officers and Independent Directors: the Chief Executive Officers of the Company do not hold the office of director of another issuer in which a person who is at the same time a Director of the Company is the Chief Executive Officer.

## **Assessment of the size, composition and functioning of the Board of Directors (so-called Board Evaluation)**

During the year, a self-assessment was carried out - pursuant to Art. 1.C.1 letter g) of the Corporate Governance Code for Listed Companies - concerning the functioning, size, composition of the Board of Directors and its Committees by means of a questionnaire, whose results were assessed by the Board of Directors during the meeting held on 5 June 2020. This self-assessment was carried out in May 2020 and refers to the financial year 2019.

The self-assessment process was divided into the following phases:

- definition of an articulated questionnaire with the dual objective of gathering opinions both on the functioning of the Board itself and its Committees, and on the size and composition of the Board. The questionnaire was sent to all Directors;
- collection of the data and evidence emerging from completion of the questionnaire by the Directors and processing of the results in anonymous and aggregate form.

The results of the assessment process and related analyses are as follows:

The Directors, also taking into account the fact that they have been in office since 30 September 2019, have provided a positive opinion on the structure, composition, functioning, independence, integration and training, meetings, relations between Directors and management, role of the Chairman, Committees. The Directors are satisfied with the work performed at the personal and collective body levels and the working climate and have a rating of full agreement with the work of the Board of Statutory Auditors.

A recurring comment is that up to now the Board's work has been almost exclusively directed at the extraordinary operations underway (restructuring and capital strengthening process). It is hoped that the completion of the restructuring activities will bring ordinary management issues back to the heart of the Board's work with: (i) specific in-depth meetings with a strategic slant on the business plan.

The need for greater involvement of the Company's Top Management, including at Board meetings, was also stressed, in order to:

- discuss topics relating to: (i) strategy and competitive positioning (business managers/geography); (ii) organization/human resources (HR manager); (iii) efficiency programs (management control manager); (iv) risk assessment presentation by the risk

manager on a six-monthly basis; (v) presentation of Internal Audit activities directly by the Head of the function;

- conduct induction sessions;
- meet managers with operational responsibilities, even abroad, albeit in occasional and limited circumstances (illustration of particularly significant projects/tenders).

### ***Staggered Board***

The Company did not make use of the “staggered board” mechanism, i.e., the provision of a differentiated expiry date for the members of the Board of Directors and the members of the Committees.

### **4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to Art. 123-*bis*, paragraph 2, letter d), Italian Consolidated Law on Finance)**

The Regulation on Corporate Bodies underlines the central role played by the Board of Directors as a governing body and specifies its relations with the other corporate bodies. Article 23 of the Articles of Association confers on the Board of Directors the widest and unlimited powers for the ordinary and extraordinary management of the Company, as well as: a) the resolution on mergers in the cases provided for by Articles 2505, 2505-*bis*, 2506-*ter* last paragraph of the Italian Civil Code; b) the setting up and closing down of secondary offices; c) the indication of which Directors have the power to represent the Company; d) the reduction of share capital in case of withdrawal of a shareholder; e) the adjustment of the Articles of Association to regulatory provisions; f) the transfer of the registered office to another municipality within the national territory.

Only the resolutions that the law strictly reserves to the Shareholders’ Meeting are excluded.

The Board of Directors is convened by the Chairman or, in his absence or impediment, by the Chief Executive Officers or, if requested in writing by at least one director or a member of the Board of Statutory Auditors, by means of a notice containing a brief indication of the items to be discussed, to be sent to the directors and auditors at least three days before the meeting. Board meetings may also be held by video or teleconference. Directors and Auditors are provided with timely information on the items on the agenda. The Board of Directors meets regularly at least once every two months and is mainly responsible for determining the strategic objectives of all the operating companies and ensuring that they are achieved. As provided for by the Board of Directors itself, the Board is responsible for:

- determining the corporate structure of the Group and deciding on the opening and/or closing of operating companies;
- examining and approving the annual and quarterly strategic, industrial and financial plans of the Group companies and periodically comparing the results achieved with those planned;

- granting and revoking the powers of the Chief Executive Officers, defining their limits and the procedures for exercising them (they will report at the first Board meeting on the activities carried out in exercising the powers granted to them and those they granted);
- examining and approving transactions with a significant impact on the Company's financial position and financial performance; with regard to transactions with related parties, the Board of Directors shall resolve on the basis of the approved procedure for transactions with related parties, in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code, the Regulation of Related Party Transactions adopted by CONSOB with resolution No. 17.221 of 12 March 2010, as subsequently amended and specified in subsequent Notices, without prejudice to the provisions of Articles 2497-*ter* and 2391 of the Italian Civil Code and Art. 114, paragraph 1 of Italian Consolidated Law on Finance, as well as with regard to those transactions exceeding the threshold of 5% of at least one of the relevance indexes identified therein, such as the value relevance index, the assets relevance index or the liabilities relevance index, which are applicable depending on the specific transaction pursuant to the Related Party Regulation;
- approving acquisitions of Companies and real estate investments;
- appointing the Directors of directly controlled Companies;
- passing resolutions on the hiring of managerial staff of the Parent Company and its Subsidiaries, as well as on the remuneration and incentive policy for managerial staff;
- regulating the conduct of the Subsidiaries with regard to the main intercompany activities;
- supervising the regularity of management activities, with particular attention to situations of conflict of interest, by taking into account, in particular, the information received from the Chief Executive Officers and the General Management of the operating companies and reporting to the Shareholders during the Meetings;
- assessing the adequacy of the general organisational, administrative and accounting structure of subsidiaries with strategic importance as prepared by the Chief Executive Officers;

With regard to Criterion 1.C.1, letter c), the Board assessed the adequacy of the organisational, administrative and general accounting structure of the Issuer and its subsidiaries with strategic importance, as prepared by the Chief Executive Officers, with particular reference to the internal audit and risk management system and the management of conflicts of interest.

The four segment leader companies were defined as “subsidiaries with strategic importance”: TREVI S.p.A., Soilmec S.p.A., Drillmec S.p.A. and Petreven S.p.A. which, besides being significant in terms of size, supervise and coordinate the activities of the subsidiaries of the related segment. As mentioned above, following the Oil & Gas Divestment, the companies Petreven S.p.A. and Drillmec S.p.A. (as well as their subsidiaries operating in the Oil & Gas segment and Drillmec Inc.) are no longer part of the TREVI Group.

With regard to the internal control and risk management system, the Board of Directors, by adhering to the Corporate Governance Code, plays a role of guidance and



assessment of the adequacy of the system and complies with the requirements of criteria 7.P.3 and 7.C.1.

The Shareholders' Meeting of 30 September 2019 resolved to grant the Board of Directors in office at 31 December 2019 a total annual remuneration of Euro 890,000.00, the base remuneration resolved is Euro 40,000 (forty thousand/00) for the office of Director; additional remuneration is granted to individual members by the Board, based on the offices and powers that they grant at the first Board meeting. On 30 September 2019, the Board of Directors appointed: (i) Luca d'Agnese as Chairman of the Board of Directors, assigning him the base annual fee of Euro 40,000.00 (forty thousand/00); (ii) Giuseppe Caselli as Chief Executive Officer, assigning him the base annual fee of Euro 40,000.00 (forty thousand/00); (iii) Sergio Iasi as Chief Restructuring Officer, assigning him the base annual fee of Euro 40,000.00 (forty thousand/00). On 11 October 2019, the Board of Directors decided to appoint Cesare Trevisani as Vice Chairman.

At 31 December 2019 and at the date of preparation of this Report, three Committees have been established: Control, Risk and Sustainability Committee, Appointment and Remuneration Committee and Related Party Committee.

The activities of the internal Committees of the Board of Directors until 30 September 2019, based on the resolution of the Ordinary Shareholders' Meeting of 30 April 2015, provided for the allocation, for each Committee, of an annual fee of Euro 5,000 (five thousand/00) for the Chairman and Euro 3,500 (three thousand five hundred/00) for each of the members.

As from the Board's resolution of 23 January 2020 - effective from the beginning of the current term of office and following a benchmarking activity entrusted to a primary external consultancy firm (Mercer Italia S.r.l.) - the fees related to the activities of the Committees within the Board of Directors provide for the allocation of a differentiated annual fee for each Committee and, more specifically:

- Control, Risk and Sustainability Committee, for the Chairman a fee of Euro 28,333 and for the members of Euro 22,333;
- Appointment and Remuneration Committee, for the Chairman a fee of Euro 19,000 and for the members of Euro 13,333;
- Related Party Committee, for the Chairman a fee of Euro 14,378 and for the members of Euro 11,333.

The payment of these fees was subject to the positive conclusion of the financial manoeuvre involving the Company and the Group.

The Board, pursuant to Criterion 1.C.1., letter e) of the Corporate Governance Code, during the meetings held in the financial year 2019, regularly assessed the general performance of operations, taking into account the information received from the delegated bodies, which report at intervals not exceeding three months and periodically compare the results achieved with those planned.

With reference to Criterion 1.C.4. of the Corporate Governance Code, the Shareholders' Meeting of TREVI - Finanziaria Industriale S.p.A. did not authorise, in general and in advance, any derogations to the non-competition clause set out in Article 2390 of the Italian Civil Code.

In line with the provisions of the Articles of Association, during the 2019 financial year, 18 meetings of the Board of Directors were held with an average duration of 4 hours per meeting with a limited number of absences of the Directors and Statutory Auditors, which were all justified.

The attendance of Directors at the 18 meetings of the Board of Directors is shown in Table 2 "Structure of the Board of Directors and Committees in 2019".

The pre-meeting documents are distributed by the Board Secretariat, on behalf of the Chairman, to the Directors in electronic format before the Board meeting, in order to ensure a complete and correct assessment of the issues brought to the Board's attention. The minimum notice given by the Board of Directors for sending pre-meeting documents to Directors and Auditors was set at two days. In any case, should it not be possible to comply with the above-mentioned deadline, the Chairman will ensure that timely and adequate information is provided during Board meetings.

Moreover, Chief Executive Officers of subsidiaries and/or managers of the Company and of subsidiary companies may be invited to attend the Board's meetings in order to provide adequate information on the items included in the agenda; in the meetings held in the financial year 2019, taking into account that the Chief Executive Officers of the parent companies are Directors of the Company, no further Chief Executive Officers and Managers of subsidiaries took part.

The Board of Directors is attended by the Group CFO - Manager in charge of financial reporting.

#### **4.4 DELEGATED BODIES**

##### **CHIEF EXECUTIVE OFFICERS**

At its meeting held on 30 September 2019, the Company's current Board of Directors appointed Luca d'Agnese as Chairman of the Board of Directors, Giuseppe Caselli as Chief Executive Officer, Cesare Trevisani as Vice Chairman and Sergio Iasi as Chief Restructuring Officer, granting powers to the Chief Executive Officer Giuseppe Caselli and to Sergio Iasi who has been assigned the role of Chief Restructuring Officer.

The Chief Executive Officer Giuseppe Caselli is qualified as the main person responsible for managing the business of TREVI - Finanziaria Industriale S.p.A.

## **CHAIRMAN**

The activities of the Board of Directors are coordinated by the Chairman. The Chairman convenes and coordinates Board meetings, making sure that the Directors are provided with the necessary documentation and information reasonably in advance - except in cases of necessity and urgency - so that the Board can express an informed opinion on the matters submitted to it for examination. The Chairman has no management powers.

## **INFORMATION TO THE BOARD**

The Chief Executive Officer and the Executive Directors constantly report to the Board on the main activities carried out in the exercise of their powers and at least on a quarterly basis, pursuant to the Articles of Association.

### **4.5 OTHER EXECUTIVE DIRECTORS**

In addition to the Chief Executive Officer Giuseppe Caselli and the CRO Sergio Iasi, the Board is composed of one more Executive Director, Stefano Trevisani (Director), who shall be considered an executive director, in compliance with the criterion 2.C.1. of the Corporate Governance Code, since he holds the office of Chief Executive Officer in a company controlled by the Issuer.

### **4.6 INDEPENDENT DIRECTORS**

The Board of Directors in office at 31 December 2019 and at the date of preparation of this Report, following its appointment on 30 September 2019, has eleven Directors, of which three are executive directors, three are non-executive directors and five are non-executive and independent directors.

Pursuant to Criterion 3.C.4 of the Corporate Governance Code, the Board of Directors' meeting of 30 September 2019 assessed the existence of the independence requirements for the non-executive and independent Directors Cristina Finocchi Mahne, Rita Rolli, Marta Dassù, Alessandro Piccioni and Elisabetta Oliveri, applying all the criteria set out in the Code itself.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members, as reported in the Annual Report to the Shareholders' Meeting.

The other offices in companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies held by Independent and

Non-Executive Directors at 31 December 2019 and at the date of preparation of this Report (unless otherwise specified), are set forth below:

Dassù Marta

- Independent Board Director of Leonardo S.p.A.

Among the positions held, she is a member of the Board of Directors of Fondazione Eni “Enrico Mattei”

Finocchi Mahne Cristina

- Independent Board Director of Banco di Desio e della Brianza
- Independent Board Director of Natuzzi S.p.A. (listed on NYSE)
- Independent Board Director of ITALIAONLINE S.p.A. - Chairperson of Control and Risk Committee
- Independent Board Director of Infrastrutture Wireless Italiane S.p.A. (INWIT S.p.A.) - Chairperson of Appointment and Remuneration Committee

Rolli Rita

- Independent Board Director of Cassa dei Risparmi di Forlì and Romagna S.p.A. (Gruppo Intesa Sanpaolo) and Member of the Audit Technical Committee. Resigned from both offices on 31 December 2018
- Independent Board Director of I.M.A. Industria Macchine Automatiche S.p.A. and since 2018 Chairperson of the Committee for Risk and Control and for Related Party Transactions
- Independent Board Director of Snam S.p.A. since 2 April 2019

Elisabetta Oliveri

- Chairperson of Fondazione Furio Solinas Onlus
- Chairperson of Sagat S.p.A.
- Board Director of ERG S.p.A.
- Board Director of Fincantieri S.p.A.
- Board Director of Stella S.p.A.

Alessandro Piccioni

- Non-director Partner of PB Technology S.r.L

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

Taking into account that the Chairman of the Board of Directors does not have a role of responsibility in the management of the company, pursuant to the recommendations of the Corporate Governance Code (Criterion 2.C.4) the Board of Directors did not appoint a non-executive and independent director as “Lead independent director”.

## **5. TREATMENT OF COMPANY INFORMATION**

By resolution of the Board of Directors of 30 May 2018, the Company updated the procedure for the management and processing of relevant information and inside information indicated in Art. 114, paragraph 1 of the Italian Consolidated Law on Finance, approved the update of the procedure for keeping and updating the Register of persons who have access to inside information indicated in Art. 114, paragraph 1 of the Italian Consolidated Law on Finance as well as approved an internal dealing code that governs the disclosure obligations, limitations and prohibitions concerning relevant transactions.

All relations with the press and other means of communication, as well as with financial analysts and institutional investors, aimed at disclosing corporate documents and information, shall take place exclusively through the Investor Relations function of the Company.

The above-mentioned procedures are available on the Company's website at the following address [www.trevifin.com/governance/articles\\_of\\_association\\_and\\_codes](http://www.trevifin.com/governance/articles_of_association_and_codes).

## **6. INTERNAL BOARD COMMITTEES (pursuant to Art. 123-bis, paragraph 2, letter d), Italian Consolidated Law on Finance)**

At 31 December 2019 and at the date of this Report, the Company has set up internally, as provided for by the Corporate Governance Code, the Appointment and Remuneration Committee, the Control and Risk Committee and, since the financial year 2010, following the approval of the first related party procedure, the Company has set up a Related Party Committee; each committee is made up of Directors who are all non-executive and independent.

### **6.1 RELATED PARTY COMMITTEE**

On 30 May 2018, the Board of Directors updated with the favourable opinion of the Related Party Committee the related party procedure, previously approved on 16 May 2014, in implementation of the provisions of Article 2391-bis of the Italian Civil Code, the Regulation of Related Party Transactions adopted by CONSOB with resolution No. 17.221 of 12 March 2010, as subsequently amended and specified in subsequent Notices by CONSOB.

The Related Party Committee in office at 31 December 2019 and at the date of preparation of this Report, appointed by the Board of Directors on 30 September 2019, is composed of the following independent, non-executive directors:

Marta Dassù (Chairperson)

- Elisabetta Oliveri
- Rita Rolli

The Procedure for Related Party Transactions approved by the Company is available on the Company's website [www.trevifin.com](http://www.trevifin.com).

With regard to the functioning of the Committee, below are the procedures for the management of transactions of greater importance and transactions of lesser importance.

As regards transactions of greater importance, the procedure envisages that, following the assessment carried out by the RPT Supervisory Body (i.e., the corporate function, consisting of the CFO and the head of the corporate affairs function, in charge of assessing Related Party Transactions in accordance with the provisions of this Procedure), the CRO of the Company (or the Subsidiary if the transaction is carried out indirectly by the Company through one of its Subsidiaries) or the Department responsible for the transaction before the completion of the transaction, together with the RPT Supervisory Body, prepares an information document on the transaction, pursuant to Art. 5 of the Regulation, and sends it to the Related Party Committee. The Related Party Committee, or one or more of its members delegated by the said Committee, is involved in both the negotiation and the preliminary investigation phases by receiving complete and adequate information on the Transaction. Moreover, the Committee can request information or make observations to the delegated bodies and the subjects in charge of the implementation of the transaction. Subsequently, it issues a reasoned opinion to the Board of Directors on the interest of the company in carrying out the transaction, as well as on the convenience and substantial correctness of the related conditions.

The transaction is then submitted, with adequate supporting information, to the deliberations of the Board of Directors, which, if it deems it necessary or appropriate, may avail itself of the advice of experts; the resolutions of the Board of Directors concerning Transactions with Related Parties shall be approved with the favourable opinion of the Related Party Committee. The Board of Directors may approve Transactions of Greater Importance even in the event of a contrary opinion from the Related Party Committee, provided that the execution of such transactions is permitted by the Company's Articles of Association and has been authorized by the Shareholders' Meeting and, if the Unrelated Shareholders attending the meeting at the time of voting represent more than ten percent of the share capital with voting rights, the majority of the Unrelated Shareholders do not vote against.

If the provision referred to in the above-mentioned point is not contained in the Articles of Association, the Board of Directors shall include - in the proposal for the shareholders' meeting resolution - a provision enabling the Board of Directors to implement the shareholders' meeting resolution only if the majority referred to in the previous point votes in favour.

As regards transactions of lesser importance, before they are carried out, the Chief Executive Officer of the Company or Subsidiary, or the Department responsible for carrying out the transaction, prepares, together with the Secretariat of the Board of Directors

of the Company, a prospectus for the Transaction containing all useful information about the transaction and send it to the Related Party Committee.

The Related Party Committee expresses a reasoned, non-binding opinion on the Company's interest in carrying out the transaction, as well as on the appropriateness and substantial correctness of the relevant conditions. The Related Party Committee shall give its opinion before the final approval of the Transaction of Lesser Importance by the Board of Directors, if the transaction is within the competence of the latter. In other cases, before the Company undertakes to carry it out. In expressing its opinion, the Committee may be assisted, at the Company's expense, by one or more independent experts of its choice.

Based on the reports received during the reference period, the RPT Supervisory Body prepares a quarterly report on Transactions of Lesser Importance, which is submitted to the Board of Directors and the Board of Statutory Auditors of Trevi. The Board of Directors, with the support of the Investor Relations Office, also provides full quarterly disclosure to the public of any transactions approved in the presence of a negative opinion expressed by the Related Party Committee as well as the reasons why it was decided not to share this opinion on the basis of the provisions of the Related Party Regulation. Within the same period, the negative opinion is made available to the public as an annex to the disclosure document or on the Company's website.

The Procedure for Related Party Transactions is available on the Company's website [www.trevifin.com](http://www.trevifin.com).

The current Related Party Committee held a meeting in 2019 with all its members present, lasting approximately one and a half hours.

The attendance of the current members of the Related Party Committee were:

Marta Dassù	one meeting out of one	100%
Cristina Finocchi Mahne	one meeting out of one	100%
Elisabetta Oliveri	one meeting out of one	100%

The meetings were always attended by the Chairman of the Board of Statutory Auditors and/or at least one other member of the Board of Statutory Auditors. The meetings had an average duration of one and a half hours and were duly minuted.

The activity carried out in 2019 by the current Committee was the approval of the Committee Regulation as well as the updating of the Register of Related Parties.

As envisaged by the applicable Corporate Governance Code, the Chairman of the Committee has always reported on the activities carried out during the period to the Board of Directors at the first available meeting.

## **7. APPOINTMENT AND REMUNERATION COMMITTEE**

With the renewal of the Board of Directors as occurred with the Shareholders' Meeting of 30 September 2019, a single Appointment and Remuneration Committee was appointed by the Board of Directors on the same date, which at 31 December 2019 and at the date of preparation of this Report consists of Directors, all of whom are non-executive and independent, namely:

- Elisabetta Oliveri (Chairperson)
- Cristina Finocchi Mahne
- Alessandro Piccioni

During the financial year 2019, and at the date of this Report, the current Committee met eleven times, with an average duration of two hours, and the meetings were duly minuted (analytical details are provided in Chapter 8).

The meetings were attended by:

Elisabetta Oliveri	eleven meetings out of eleven 100%
Cristina Finocchi Mahne	eleven meetings out of eleven 100%
Alessandro Piccioni	eleven meetings out of eleven 100%

The Chairman of the Board of Statutory Auditors and/or another member of the Board of Statutory Auditors attended most of the meetings.

The main functions assigned to the Committee in accordance with criterion 5.C.1. of the Corporate Governance Code are as follows:

With regard to Appointments:

- formulating opinions to the Board on its size and composition;
- making recommendations on the professional figures whose presence on the Board is considered appropriate;
- proposing to the Board candidates for the office of director in cases of co-option, where it is necessary to replace independent directors;

With regard to Remuneration:

- proposing to the Board of Directors a policy for the remuneration of directors and executives with strategic responsibilities.
- periodically assessing the adequacy, overall consistency and practical application of the policy for the remuneration of directors and executives with strategic responsibilities, making use in the latter respect of the information provided by the chief executive officers; as well as making proposals to the Board of Directors in this regard;
- submitting proposals or express opinions to the Board of Directors on the remuneration of executive directors and other directors holding particular offices, as well as on the setting of performance objectives related to the variable component



of such remuneration; monitoring the application of the decisions adopted by the Board of Directors, verifying, in particular, the effective achievement of performance objectives.

In compliance with criterion 4.C.1 letter e) of the Corporate Governance Code, in carrying out its functions, the Committee had access to the information and corporate functions necessary for the performance of its duties.

More details on its operations are provided in Chapter 8, taking into account that the Board of Directors has appointed a single Appointment and Remuneration Committee.

More detailed information is made available in the report on remuneration published pursuant to Article 123- *ter* of Italian Consolidated Law on Finance.

Lastly, in line with criterion 6.C.6 of the Corporate Governance Code, no Director takes part in Committee meetings in which proposals are made to the Board of Directors regarding his/her own remuneration.

The main activities of the current Committee in the 2019 financial year were:

- the approval of the Committee's Regulations;
- the review and evaluation of the short-term incentive scheme for key management personnel for the year 2019 and the evaluation of the bonuses.
- The assessment of the remuneration structure of the newly appointed Chief Executive Officer and Chief Restructuring Officer and the appointment of the new Group CFO and executive in charge, which, on completion of the preliminary investigation, was referred to the Board of Directors for resolution;

With the adoption by the Company of the current Corporate Governance Code, the Chairman of the Committee reported on the activities carried out during the period to the Board of Directors at the first available meeting.

## **8. CONTROL, RISK AND SUSTAINABILITY COMMITTEE**

With the renewal of the Board of Directors as occurred with the Shareholders' Meeting of 30 September 2019, a new Control, Risk and Sustainability Committee was appointed on the same date, which at 31 December 2019 and at the date of preparation of this Report is composed of Directors, all of whom are non-executive and two of whom are independent and namely:

- Rita Rolli (Chairperson)
- Cristina Finocchi Mahne
- Luca Caviglia

The meetings lasted an average of two hours and were duly minuted.

The members of the Committee have adequate knowledge and experience in accounting and financial matters and risk management, considered appropriate by the Board of Directors at the time of their appointment.

The current Committee met five times in the 2019 financial year with the following attendances:

Rita Rolli	five meetings out of five 100%.
Cristina Finocchi Mahne	five meetings out of five 100%
Luca Caviglia	five meetings out of five 100%.

The Committee meetings were always attended by the Chairman of the Board of Statutory Auditors and/or at least one Standing Auditor; at some meetings, the Executive Director in charge of the internal control and risk management system, the CFO in charge of financial reporting, the Head of the Internal Audit function, the Independent Auditors and the Supervisory Board were invited by the Committee to attend. In addition to the board meetings, there were information exchanges between the Chairman of the control and risk committee and its members and the Chief Executive Officers, the Executive Director in charge of the internal control and risk management system, the Company's management and the manager in charge of financial reporting.

The Committee performs support functions for the Board of Directors in connection with the supervision of the Company's general management performance and operates in compliance with Articles 7.C.1 and 7.C.2 of the Corporate Governance Code for Listed Companies.

Below is a list of the main tasks carried out by the Committee during the aforementioned meetings attended separately and/or jointly by the persons listed above:

- a) approving the Committee's Regulations;
- b) providing the Board with non-binding prior opinions for the performance of the tasks entrusted to it in the field of internal control and risk management;
- c) verifying continuously the adequacy of the internal control system with consultative interventions on the design and management of the system itself; the Committee reported to the Board on a six-monthly basis its assessments of the effectiveness of the internal control system and proposed improvements/changes/additions;
- d) reviewing the various types of documentation (plans, reports, analyses, etc.) prepared by the internal control system for which the Board of Directors is responsible, as well as the periodic reports of the internal auditing function;
- e) expressing, at the request of the appointed executive director, opinions on specific aspects relating to the identification of the main corporate risks as well as the design, implementation and management of the internal control system;

- f) evaluating, jointly with the manager in charge, the Board of Statutory Auditors and the auditing firm, the homogeneity and correct application of the accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- g) assessing, jointly with the Board of Statutory Auditors and the Executive in charge, the work plan of the auditing firm and verifying its implementation;
- h) assessing the results set out in the auditors' report and any letter of suggestions;
- i) verifying the progress and proper implementation of the main organisational improvement projects, mainly the project to revise the company's Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 and the improvement of procedures pursuant to Italian Law 262/05.

In order to perform its functions, the Committee had access to the necessary information through the various company departments with the help of the internal audit department.

The main activities in 2019 included meeting with the internal audit function and acknowledging and verifying audit reports, evaluating the methodology and impairment test before being submitted to the Board of Directors for approval, exchanging information with the manager in charge of financial reporting and in-depth analyses of business performance.

With the adoption by the Company of the current Corporate Governance Code, the Chairman of the Committee reported on the activities carried out during the period to the Board of Directors at the first available meeting.

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

The Company's internal control system is the set of rules, procedures and organisational structures aimed at allowing, through an adequate process of identification, measurement, management and monitoring of the main risks, a healthy, correct and coherent management of the company with the set objectives.

The internal control system helps to ensure:

- The safeguarding of the corporate assets;
- The effectiveness and efficiency of corporate operations;
- The reliability of financial information;
- Compliance with laws and regulations;
- Compliance of individual corporate activities with the directives issued by Top Management.

The constitutive elements of the Company's internal control and risk management system are the organisational structure, the system of powers, the organisation, management and control model, the Group's code of ethics, organisational documents such as function charts, guidelines, organisational provisions and releases, operating procedures, manuals and executive instructions.

The subjects involved in the internal control system are: the Board of Directors, the Executive Director in charge of supervising the control and risk management system, the top management, the functional managers, the manager in charge of financial reporting, quality control, management control, privacy supervisors and internal auditing.

Some subjects are better detailed in this Report.

The Board of Directors, with the assistance of the Control, Risk and Sustainability Committee, in line with the recommendations of the Corporate Governance Code:

- Defines the guidelines of the internal control and risk management system;
- Evaluates, on an annual basis, the adequacy, efficiency and effective functioning of the internal control and risk management system.

The risk management system shall be considered together with the internal control system, in relation to the financial reporting process, as both are elements of the same system.

This system is designed to ensure the reliability, accuracy, trustworthiness and timeliness of financial reporting.

In compliance with paragraph 3 of Art. 154-*bis* of the Italian Consolidation Law on Finance, the Company has put in place adequate administrative and accounting procedures for the preparation of the separate and consolidated financial statements, as well as any other communication of a financial nature.

With reference to the internal control system implemented in relation to the process of preparing financial information, a continuous process of adaptation to the indications of Italian Law 262/05 is underway, aimed at documenting the accounting and administrative control model adopted, as well as carrying out specific checks to support the certification process of the Manager in charge of financial reporting.

The accounting and administrative control model represents for the Company the set of procedures and internal tools adopted in order to allow the achievement of corporate objectives of reliability, accuracy, trustworthiness and timeliness of financial reporting. It has been designed taking into account the requirements of Italian Law 262/05, with reference to the principles recognised by national and international best practices in the sector and in particular the indications of the "COSO Report" referred to as the reference model in the ANDAF Guidelines for the Manager in charge of financial reporting.

During the 2019 financial year, the Board of Directors, on the basis of the activities carried out by the Control, Risk and Sustainability Committee and the information received from the bodies and functions responsible for control, including the report of the Director in charge of the Internal Control System, the six-monthly report of the Head of Internal Audit and the six-monthly report of the Supervisory Board, taking into account the areas of improvement identified and the related strengthening initiatives implemented or underway, concluded that, at the date of this Report, the activities carried out showed a sufficiently adequate control system, albeit with several areas for improvement identified.

In this regard, it is deemed useful to highlight the main areas on which particular attention should be paid:

- continuous implementation of the corporate regulatory framework through the drafting of detailed policies and procedures on the main operational processes;
- maximum dissemination of the procedures/policies issued to all Group personnel through the channels identified (email, intranet, training activities);
- greater control of foreign companies, in continuity with what has already been started during 2018 and 2019.

### **Description of the main features of the existing risk management and internal control system in relation to the financial reporting process**

#### ***a. Phases of the existing risk management and internal control system in relation to the financial reporting process***

The organisational model provides for the identification of those risks that may compromise the effectiveness and efficiency of processes, the reliability of economic and financial reporting and compliance with rules and regulations and, subsequently, the identification of control activities aimed at reducing such risks.

The risks related to economic and financial reporting identified by the Company, concern the following categories:

- Existence and occurrence of events: assets, liabilities and ownership title exist on a specific date. The transactions recorded represent events that actually occurred during a certain period;
- Completeness: all transactions and other events and circumstances that occurred during a certain period, or that should have been recorded in that period, were recorded once and only once;
- Measurement/Recognition: assets, liabilities, revenue and expenses are recorded at the correct amount in accordance with appropriate and relevant accounting principles.

The transactions are mathematically exact, correctly summarised, recorded in the books and documented;

- Rights and Obligations: the assets recognised derive from a right acquired, all outstanding obligations shall be recognised in the liabilities;
- Presentation and disclosure: the information in the financial statements is correctly described and classified. There is internal consistency in the financial statements, in all their components.

The Company has formalised standard and specific control activities aimed at reducing the above-mentioned risks within the relevant processes. Relevant processes are those within which transactions with accounting relevance are managed that feed into a significant area of the financial statements and the scope of definition of these areas and processes is reviewed annually. The relevant processes identified are as follows:

- Passive cycle;
- Active cycle;
- Inventory;
- Financial statements closure and consolidation;
- Contracts;
- Treasury cycle.

Together with this, the complexity of the financial statements area is assessed with reference to the content of the area, the organisational aspects, the information system and the inherent risk.

In particular, the assessment of the risk pertaining to the financial statements area is carried out in consideration of the following factors:

- It is susceptible to errors or has recently been subject to adjustments;
- It is the result of the application of complex or recently modified accounting principles;
- It is characterised by complex transactions that require the intervention of an expert for the measurement;
- Includes measurements that are the result of estimates characterised by a high degree of subjectivity;
- It relates to corporate assets that are susceptible to theft, loss or misappropriation;
- It refers to complex or abnormal transactions undertaken near the end of the financial year;
- It summarises transactions not covered by ordinary processing.

Among the control activities routinely carried out by staff at various organisational levels are the following:

- Analyses carried out by top management: the performance achieved is compared with budgets, with projections, with the results of previous periods and with the results of competitors. To the extent that these activities are used to verify unexpected results highlighted by the accounting system, they contribute to the control of economic and financial reporting;
- Controls on transactions: these are carried out to verify the completeness, accuracy and authorisation of the entry in the accounting system of transactions that are managed in business processes and of the related master data in the reference files;
- Controls on information systems: the reliance placed on information systems, particularly in relation to the processing of economic and financial information, makes it necessary for them to be kept under control. Controls on information systems concern the development and maintenance of application software, on which the ERP used in Italy in the main foreign companies is being implemented, access protection, operator activities, back-up procedures, security plans, etc.
- Physical controls: equipment, stocks, securities, cash and other assets are physically protected and periodically inventoried and compared with the accounting results;
- Segregation of duties: in order to reduce the risk of errors and irregularities, tasks are divided among several persons. For example, the authorisation of operations, their accounting and the management of the corresponding assets shall be carried out by different persons;
- Policies and procedures: control activities are normally based on policies and procedures formalised and disseminated within the company.

The model provides for the establishment of adequate information flows between the parties involved in the internal control system. In this specific case: the communication of procedures to stakeholders, information exchanges between stakeholders with a role in the corporate governance model, reporting on the progress of any activities to improve the control system and reporting on any anomalies found in monitoring activities.

Finally, the model envisages the performance of activities to verify the effective application of the procedures and, in particular, of the above-mentioned control activities by carrying out specifically identified tests on an ongoing basis during the year.

At the end of the process described above, the outcome of the control activities carried out is reported on a quarterly basis to the Manager in charge of financial reporting and by the latter to the Chief Executive Officer, and in particular to the Executive Director of the internal control and risk management system.

## ***b. Roles and functions***

The proper functioning of the system requires the identification of specific roles to which the different phases are assigned. Specifically, the design phase is the responsibility of the Manager in charge of financial reporting and is shared by the Chief Executive Officers. The subsequent implementation and monitoring phases are entrusted to the Parent Company's Administration, Finance and Control department and to the various company managers, Heads of operating divisions. Finally, the updating of the system over time, if necessary, will be managed by the Manager in charge of financial reporting.

### **11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

In light of the provisions of the Corporate Governance Code, on 27 July 2018, the Board of Directors appointed Sergio Iasi, Chief Restructuring Officer, as the person in charge of the internal control and risk management system, who, in accordance with the Code:

- takes care of the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and periodically submits them to the examination of the Board of Directors;
- implements the guidelines defined by the Board of Directors, taking care of the design, implementation and management of the internal control and risk management system and constantly verifying its adequacy and effectiveness;
- is responsible for adapting this system to the dynamics of the operating conditions and the legislative and regulatory landscape;
- may ask the internal audit function to carry out checks on specific operational areas and on compliance with internal rules and procedures in the execution of company transactions, notifying the chairman of the board of directors, the chairman of the control and risk committee and the chairman of the board of statutory auditors at the same time;
- promptly reports to the control and risk committee (or to the board of directors) on problems and critical issues that have emerged in the performance of his activities or of which he has become aware, so that the committee (or the board) may take the appropriate initiatives.

This assignment is in force at 31 December 2019 and at the date of preparation of this Report.

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



The Head of the internal audit function is not responsible for any operational area and reports hierarchically to the Board of Directors, as well as functionally to the Director in charge of managing the Internal Control and Risk System.

On 27 July 2018, the Board of Directors resolved to appoint Matteo Tradii as Head of Internal Audit of Trevi Finanziaria Industriale S.p.A., pursuant to the new Corporate Governance Code (Art. 7 Criterion 7.C.6), covering the Parent Company and its subsidiaries, with the task of:

- verifying, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system;
- executing the approved audit plan for the three-year period 2018-2020 and periodically participating in the meetings of the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Board, reporting on the Internal Audit activities carried out and on the results obtained;
- preparing periodic reports containing adequate information on its activities, on the methods with which risk management is carried out, as well as on compliance with the plans defined for their containment, to be sent to the Chairmen of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the internal control system;
- submitting to the Company's Board of Directors, after hearing the opinion of the Risk Control Committee and the Board of Statutory Auditors, a risk-based Audit Plan, i.e., one that takes into account the Group's risk assessment activities, previous audit activities carried out within the Group and the specific "assurance" requirements of the various players involved in the Internal Control System (i.e., the Manager Charge of Financial Reporting, Supervisory Bodies).
- participating in the meetings of the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Board, during which he/she will report on the activities carried out and the results that emerged.

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

The issuing company and its subsidiaries with strategic importance have adopted:

- ❖ the "Organisation, Management and Control Model" (the Model) in order to prevent the commission of offences related to relations with the public administration, corporate offences, market abuse offences, transnational offences and organised crime offences, offences related to health and safety in the workplace, receiving and laundering offences, offences for the purposes of terrorism, computer offences, offences in breach of copyright, environmental offences, inducing people not to make statements or to make false statements to the judicial authorities, the employment of third-country nationals whose stay is irregular.

The model, which complies with Confindustria's guidelines, consists of:

- a "General Section" summarising Italian Legislative 231/2001 and illustrating the functions and principles of the Model, the main features of the Supervisory Board, the dissemination of the Model, the disciplinary system, and the training and communication methods;

- a “Special Section” subdivided in relation to the different categories of offences provided for by Italian Legislative Decree 231/2001, which identifies the sensitive activities for the purposes of the aforementioned decree and sets out the relevant control measures;
  - ❖ the “Company Code of Ethics”, which establishes general principles and regulates, through rules of conduct, the activities of employees and collaborators, also with regard to relations with shareholders, the Public Administration, suppliers, contractors and subcontractors.
- In particular, the Code sets out:
- the general principles and reference values that TREVI - Finanziaria Industriale S.p.A. and all the companies in the TREVI Group shall adhere to when carrying out their activities;
  - the rules of conduct that the representatives, managers and structures of each company in the Group shall observe and apply in their external relations with all commercial, business and financial third parties;
  - the main methods of implementation of the Code within the corporate structure.

The task of supervising the operation of and compliance with the Model has been entrusted to a collective body (Supervisory Board), appointed for the 2018-2019 and 2020 financial years by resolution of the Board of Directors of 31 January 2018, consisting of three external members:

- Enzo Spisni - Internal Member and Chairman, from 26 July 2017;
- Gerardo Diamanti - External Member;
- Floriana Francesconi - External Member.

On 24 February 2020, Matteo Tradii took over as a member of the Supervisory Body following the resignation of Gerardo Diamanti. The Supervisory Board is therefore currently composed of two external members, one of whom is the Chairman, and one internal member.

The Supervisory Board periodically reports to the Board of Directors on its activities, the functioning of the Model or specific situations.

An extract of the Model is available on the Company’s institutional website [www.trevifin.com](http://www.trevifin.com) in the section “*Governance*”.

The Supervisory Board prepared its 2019 annual report on 7 April 2020; it was illustrated at the Board of Directors’ meeting on 23 April 2020.

#### **11.4 AUDITING COMPANY**

The Shareholders’ Meeting of 15 May 2017 appointed the auditing firm KPMG S.p.A. for the financial years 2017 to 2025:

1. To audit the separate and consolidated financial statements for each of the nine financial years ending 31 December 2017 to 31 December 2025 of TREVI - Finanziaria Industriale S.p.A. pursuant to Article 14 paragraph 1 of Italian Legislative Decree dated 27 January 2010 and No. 39 of Art. 10 of (EU) Regulation No. 537 of 16 April 2014.

2. The verification activity envisaged by Article 14, paragraph 2, letter e) of Italian Legislative Decree No. 39 of 27 January 2010;
3. The limited audit of the half-year report (separate and consolidated) for each of the nine interim periods ending 30 June 2017 to 30 June 2025 of TREVI - Finanziaria Industriale S.p.A;
4. Audit activities connected with the signing of tax declarations (Modello Unico and Modello 770 semplificato) for the financial years 2017-2025.

## **11.5 MANAGER IN CHARGE OF FINANCIAL REPORTING**

Pursuant to the Company's Articles of Association, the Board of Directors appoints a Manager in charge of financial reporting, after hearing the opinion of the Board of Statutory Auditors.

The Board of Directors shall ensure that the Manager in charge of financial reporting has been granted adequate means and powers to carry out the responsibilities assigned to her/him, pursuant to the applicable regulatory provisions.

The Manager in charge of financial reporting shall have:

- Several years of experience in the field of administration and accounting;
- The requisites of honourability required by law for the office of director.

The Board of Directors' meeting of 30 September 2019, with the favourable opinion of the Board of Statutory Auditors, resolved to confer the appointment on Massimo Sala, granting him the relevant powers from 30 September 2019.

The manager in charge of financial reporting attends all meetings of the Board of Directors and the periodic meetings of the persons involved in the internal control and risk management system as detailed in paragraph 11.6.

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

As already highlighted elsewhere in this report, the Company has adopted the Corporate Governance Code of Listed Companies applicable from time to time.

At the current date, the Issuer has provided for coordination between the various parties involved in the internal control and risk management system (Board of Directors, director in charge of the internal control and risk management system, control and risk committee, head of the internal audit function, manager in charge of financial reporting, Board of Statutory Auditors, Risk Management) (Principle 7.P.3.), periodic meetings, at least

on a half-yearly basis; it is standard practice for the appointed auditing firm to attend at least part of such meetings. It is standard practice for the minutes and documents prepared by the individual parties involved in the internal control and risk management system to be shared and sent to the Board of Directors.

Since it was set up in 2011, it has been standard practice for the Supervisory Board to meet with the Board of Statutory Auditors every six months.

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

With regard to transactions in conflict of interest of the Chief Executive Officers and Executive Directors, the Company has followed best practice, with the Board prohibiting participation in the vote and temporarily removing from the meeting at the time of the resolution of the Directors in conflict of interest and, for specific transactions of significant interest, the Board instructing an independent Director to act, with regard to that specific business, on its behalf, also being able to appoint experts and technicians to assess the appropriateness of the transaction and the definition of a fair value.

By resolution of the Board of Directors of 26 November 2010, the Company adopted the related party transaction procedure, in implementation of the provisions of Art. 2391-*bis* of the Italian Civil Code, the Regulation of Related Party Transactions adopted by CONSOB with resolution No. 17.221 of 12 March 2010, as subsequently amended and specified in subsequent Notices, without prejudice to the provisions of Articles 2497-*ter* and 2391 of the Italian Civil Code and Art. 114, paragraph 1 of Italian Consolidated Law on Finance, appointing a Related Party Committee, the operation of which is detailed elsewhere in this report.

This Related Party Procedure was updated by resolution of the Board of Directors on 30 May 2018, with the favourable opinion of the Related Party Committee.

The Procedure for Related Party Transactions is available on the Company's website [www.trevifin.com](http://www.trevifin.com).

## **11. APPOINTMENT OF STATUTORY AUDITORS**

The Board of Statutory Auditors consists of three standing auditors and two alternate auditors, appointed by the Shareholders' Meeting, in accordance with the procedures indicated below, which is in charge of determining the remuneration due to the Chairman and the Standing Auditors.

They remain in office for three years and they may be re-elected.

The auditors shall have the requirements prescribed by law, the articles of association and any other applicable regulations.

The Board of Statutory Auditors is appointed on the basis of lists submitted by Shareholders who, at the time of submitting the list, have the right to vote in the relevant Shareholders' Meeting resolutions, in accordance with the procedures and within the limits indicated below.

The names of the candidates shall appear on each of the lists in numerical order. The list shall consist of two sections: one for candidates for the office of standing Auditor, the other for candidates for the office of alternate Auditor. The list shall indicate at least one candidate for the office of standing Auditor and one candidate for the office of alternate Auditor and may contain up to a maximum of three candidates for the office of standing Auditor and two candidates for the office of alternate Auditor.

The lists submitted by the Shareholders shall be filed at the Company's registered office, as indicated in the notice of call of the Shareholders' Meeting, no later than the twenty-fifth day prior to the date of the Shareholders' Meeting called to resolve on the appointment of the members of the Board of Statutory Auditors and made available to the public at the Company's registered office, on the Company's website and in any other manner provided for by the laws and regulations in force for the time being, at least twenty-one days prior to the date of the Shareholders' Meeting, unless other deadlines are mandatory under the laws and regulations in force.

Pursuant to Art. 144-*sexies* of the Issuers' Regulations, on the subject of the election of minority auditors, if only one list for the appointment of the Board of Statutory Auditors or only lists presented by Shareholders who are connected with each other pursuant to Art. 144-*quinquies* of the aforementioned Regulations have been deposited within twenty-one days before the date of the Shareholders' Meeting, lists may be presented for the appointment of the Board of Statutory Auditors up to the third day following that date. In this case, the threshold required for the submission of lists for the appointment of the Board of Statutory Auditors is reduced by half (i.e., 1.25%).

Each shareholder, shareholders who are parties to a shareholders' agreement, according to the provisions of Article 122 of Italian Consolidated Law on Finance, the parent company, subsidiaries and joint-ventures, pursuant to Article 93 of Italian Consolidated Law on Finance, may not submit or contribute to submit, even through a third party or trust company, more than one list, nor may they vote, even through a third party or trust company, for different lists and each candidate may only appear on one list, on pain of ineligibility. Any endorsement and vote cast in violation of this prohibition shall not be attributed to any list.

Shareholders have the right to present lists only if they, either singly or in concert with other shareholders, own the overall shareholding identified in compliance with the legal and regulatory provisions in force on the subject of the election of members of the Board of Directors of the Company.

Ownership of the minimum shareholding required for the submission of lists is determined by considering the shares registered in favour of the shareholder(s) on the day on which the lists are filed at the Company's registered office.

Together with each list, within the terms indicated above, the following shall be filed: (i) the declarations in which the individual candidates accept their candidacy and certify, under their own responsibility, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed by current provisions for the assumption of the respective

offices, including compliance with the limits on the number of offices established by the laws and regulations in force, and (ii) a curriculum vitae of each candidate, containing an exhaustive description of the candidate's personal and professional characteristics, as well as (iii) the additional information required by the laws and regulations, which will be indicated in the notice of call of the Shareholders' Meeting, specifically:

a) the lists for the appointment of the Board of Statutory Auditors shall also be accompanied, pursuant to Art. 144-*sexies*, paragraph 4, of the Issuers' Regulations, on the subject of the election of minority auditors, by the information relating to the identity of the shareholders presenting them, with an indication of the overall percentage of shareholding held, and by a declaration of the shareholders presenting any minority list attesting to the absence of any relationship of connection as per Art. 144-*quinquies* of the Issuer's Regulation.

b) the minority lists for the appointment of the Board of Statutory Auditors shall be submitted in accordance with the recommendations of Consob Communication No. DEM/9017893 of 26 February 2009 and, therefore, the statement referred to in point a) above shall contain the following information:

- any existing relationships, if significant, with shareholders who hold, even jointly, a controlling or relative majority interest. In particular, it is recommended to indicate, among the aforesaid relationships, at least those listed in point 2 of the aforesaid Consob Communication. Alternatively, the absence of significant relationships should be indicated;
- the reasons why such relationships have not been considered decisive for the existence of the relationships of connection pursuant to Art. 148, paragraph 2 of the Italian Consolidated Law on Finance and of Art. 144-*quinquies* of the Issuer's Regulation.

The certification issued by an authorised intermediary proving the ownership of the number of shares necessary for the presentation of the list shall be produced at the time of the filing of the list itself or even at a later date, provided that it is within the deadline set for the publication of the lists by the Company.

Any lists that do not comply with the above terms and conditions shall not be considered properly submitted.

Each person entitled to vote may vote for only one list.

No names of candidates may appear on any lists if reasons exist for ineligibility or incompatibility with the office to which they are seeking election, or if they are not in possession of the applicable requirements, or if they have already reached the limit for appointments of this kind set out in the legal and regulatory provisions in force at the time.

It should be noted that the Board of Statutory Auditors shall be appointed in compliance with current legislation on gender balance and, therefore, in compliance with the mandatory criteria for gender distribution. Shareholders who intend to submit a list for the appointment of the Board of Statutory Auditors which - taking into account both the section of candidates for the position of Standing Auditor and the section of candidates for the position of Alternate Auditor - has a number of candidates equal to or greater than three, are required to indicate candidates for Standing Auditors of different genders and, in particular,

a number of candidates for Standing Auditor of the less represented gender that is at least equal to one-fifth of the total.

The election of Statutory Auditors shall be conducted as follows:

1. two standing auditors and one alternate auditor are taken from the list obtaining the highest number of votes at the Shareholders' Meeting, in the order in which they are listed in the sections of the list;

2. the remaining standing member and the remaining alternate member are taken from the Minority List that obtained the highest number of votes at the Shareholders' Meeting, on the basis of the sequential order in which the candidates are listed in the sections of that list (the "Minority List").

In the event of a tie between the Minority Lists, the candidates on the list submitted by the Shareholders holding the largest shareholding or, secondarily, by the largest number of Shareholders are elected. If, following the outcome of the voting and the above operations, any minimum quota of the less represented gender required by the legislation applicable from time to time is not met, the candidate for standing auditor of the most represented gender who would have been elected from the Majority List last, on the basis of the relative order of indication, shall be replaced with the next candidate for standing auditor from the same Majority List belonging to the less represented gender. In the absence of candidates belonging to the less represented gender in the Majority List, the missing standing auditor of the less represented gender shall be elected by the Shareholders' Meeting with the statutory majorities.

The Chairman of the Board of Statutory Auditors shall be the person indicated in first place on the Minority List.

The Auditor ceases to hold office in the cases envisaged by the applicable regulatory provisions, as well as in the event that he/she no longer meets the statutory requirements for the appointment.

In the event of the replacement of a statutory auditor, the alternate auditor belonging to the same list as the outgoing statutory auditor takes over.

If, in addition to the standing Auditor elected from the Minority List, the alternate Auditor on that list also leaves office, s/he shall be replaced by the next candidate on the same list or, failing that, by the first candidate on the Minority List that received the second highest number of votes.

If, in the event of a replacement, the minimum quota for the distribution between genders provided for by the legislation applicable from time to time shall also be reinstated, the aforesaid replacement mechanisms shall operate in such a way that the incoming alternate auditor belonging to the relevant list is the one belonging to the least represented gender.

If the aforesaid replacement mechanisms do not allow for compliance with the rules on gender balance applicable from time to time, the Shareholders' Meeting shall be convened as soon as possible to appoint, with the statutory majorities, the missing standing auditor in compliance with the said rules on gender balance applicable from time to time, without prejudice to the principle of necessary representation of minorities.

If only one list is submitted or if no list at all is submitted, the Shareholders' Meeting shall pass resolutions by statutory majority and in compliance with the gender balance legislation applicable from time to time.

For any other information, please refer to the provisions of Article 32 of the Company's current articles of association published on the website at [www.trevifin.com / corporate governance / articles of association and codes](http://www.trevifin.com/corporate_governance/articles_of_association_and_codes).

The Board of Statutory Auditors in office at 31 December 2019 and at the date of preparation of this report, was appointed by the Shareholders' Meeting of 30 September 2019 and will remain in office until the approval of the financial statements at 31 December 2021.

## **12. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letter d), Italian Consolidated Law on Finance)**

At the Shareholders' Meeting of 30 September 2019, in which a list was presented by the reference shareholders FSI Investimenti S.p.A. and Polaris Capital Management, LLC, the Board of Statutory Auditors was appointed for the financial years 2019 - 2020 - 2021, i.e., until approval of the financial statements at 31 December 2021, consisting of three standing auditors and two alternate auditors:

- Chairperson: Motta Milena Teresa
- Standing Auditor: Raffaele Ferrara
- Standing Auditor: Marco Vicini
- Alternate Auditor: Mara Pierini
- Alternate Auditor: Massimo Giondi

The Board of Statutory Auditors in office was elected, proposed by the list of the majority shareholder, with the favourable vote of 99.523% of the voting capital.

The curricula vitae detailing their personal and professional characteristics, the declaration in which they accept their candidature and attest to the non-existence of causes of ineligibility and incompatibility, the possession of the professional and honourableness requirements established by the applicable regulations, as well as the existence of the regulatory and statutory requirements provided for, have been deposited at the registered office.

The Shareholders' Meeting resolved to award an annual fee to the Chairman of the Board of Statutory Auditors of Euro 50,000.00 and an annual fee for the Standing Auditors of Euro 40,000.00; the remuneration is deemed commensurate with the commitment required, as well as the size and sector characteristics of the company pursuant to criterion 8.C.3.

The Board of Statutory Auditors verified the independence of its members after their appointment, analysing the requirements set forth in Art. 148, paragraph 3 of the Italian Consolidated Law on Finance and the Corporate Governance Code.

During 2019, the Board of Statutory Auditors currently in office met 5 times with the presence of all its members, for an average duration of the meetings of approximately 2 hours;

The Board of Statutory Auditors attended the 5 meetings of the Board of Directors currently in office as follows:



- Chairperson: Milena Teresa Motta     five meetings out of five     100%;
- Standing Auditor: Raffaele Ferrara     five meetings out of five     100%;
- Standing Auditor: Marco Vicini     five meetings out of five     100%

In the 2019 financial year, the Board of Statutory Auditors, in the performance of its activities, evaluated, among other things, the existence of the independent director status of the Directors who declared themselves as such, prepared the summary of the control activities provided for by CONSOB Communication No. 1025564 of 6 April 2001, as subsequently amended, in particular CONSOB Communication No. DEM/6031329 of 7 April 2006.

The Chairman of the Board of Statutory Auditors Milena Teresa Motta at 31 December 2019 and at the date of preparation of this Report, holds the position of Director of Intesa Sanpaolo S.p.A. and of the Management Control Committee of the same company.

At 31 December 2019 and at the date of preparation of this Report, Raffaele Ferrara was Chairman of the Board of Directors of Alfiere S.p.A., and was Chairman of the Board of Statutory Auditors of Marina di Portisco S.p.A. and Standing Auditor of Ligestra Due SrL.

The standing auditor Marco Vicini was Chairman of the Board of Statutory Auditors of the following companies: Trevi SpA, Soilmec SpA, Cantieri del Pardo SpA, Credito Cooperativo Romagnolo, Romagna Tech ScA, Società immobiliare Confcommercio SpA; he held the office of Sole Auditor in the following companies: Gino Ricci SrL, Manuzzi SrL and Romagna Innovazione Scarl.

The Standing Auditors of the Company deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional activity, the number of offices held in other companies listed on regulated markets (both in Italy and abroad) in financial companies, banks, insurance companies or companies of a considerably large size (criterion 8.C.2).

The Company envisages that the Statutory Auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the Issuer, shall timely and exhaustively inform the other statutory auditors and the Chairman of the Board about the nature, the terms, origin and extent of his/her interest (criterion 8.C.3).

The Board of Statutory Auditors has supervised the independence of the auditing company, verifying both compliance with the relevant regulatory provisions and the nature and extent of services other than auditing provided to the Issuer and its subsidiaries by the same auditing company and the entities belonging to its network.

The Board of Statutory Auditors, in carrying out its activities, has coordinated with the Control, Risk and Sustainability Committee and with the Internal Audit Function, with which it has maintained a constant exchange of information both through the participation of the Chairman of the Board of Statutory Auditors and/or other Statutory Auditors in the meetings of the said Committee and through joint meetings when the issues discussed and the corporate functions interviewed were of common interest in view of their respective competences.

The same occurred with the Manager in charge of financial reporting and with the Supervisory Board.

In accordance with the recommendations of criterion 2.C.2 of the Corporate Governance Code, the Chairman of the Board of Directors has taken steps through meetings to ensure that the Statutory Auditors can, following their appointment and during their term of office, take part in initiatives aimed at providing them with adequate knowledge of the business sector of the Issuer and the TREVI Group.

### **13. RELATIONS WITH SHAREHOLDERS**

In order to encourage ongoing dialogue with shareholders in general and with institutional investors in particular, the Company has appointed an Investor Relator and made corporate information (financial statements, reports and press releases) available on its website [www.trevifin.com](http://www.trevifin.com) in both Italian and English.

The role of Investor Relator reports to the Group CFO Massimo Sala.

The function uses the email: [investorrelations@trevifin.com](mailto:investorrelations@trevifin.com)

During the year 2019, Investor Relations activities were mainly dedicated to communicating the evolution of operational activities related to:

- the review of the industrial and financial plan of the Company and the Group
- the management of ongoing negotiations with creditors and the related financial manoeuvre;
- the fulfilment of regulatory and legislative requirements related to financial communication.

During the year, the Company did not carry out conference calls with the market and the objective of financial communication for 2019 was to maintain relations with financial analysts and institutional investors in line with the Company's complex situation, providing the market with the required updates on the financial manoeuvre in progress.

### **14. SHAREHOLDERS' MEETING (pursuant to Art. 123-bis, paragraph 2, letter C), Italian Consolidated Law on Finance)**

Resolutions passed by Shareholders' Meeting are binding on all shareholders.

The Shareholders' Meeting may be ordinary and extraordinary pursuant to the law.

The Ordinary Shareholders' Meeting resolves on the items assigned to it by law and by the Articles of Association.

What follows is mandatorily reserved to the competence of the ordinary shareholders' meeting:

- approving the financial statements;
- appointing and dismissing Directors;
- appointing the Statutory Auditors and the Chairman of the Board of Statutory Auditors as well as the independent auditor in charge of carrying out the statutory accounting audit;
- determining the remuneration of directors, statutory auditors and of the independent auditor;
- resolving on the liabilities of Directors and Statutory Auditors.

The Shareholders' Meeting may also:

- approve, where applicable, any regulations for meeting proceedings;
- authorise administrative acts as per Art. 23, paragraph 2 of the Articles of Association.

The following are under the competence of the Extraordinary Shareholders' Meeting:

- amendments to the articles of association, except as provided for in Art. 23, paragraph 3) of the Articles of Association;
- the appointment and replacement of liquidators and the determination of their powers;
- other subjects assigned to it by law and by these Articles of Association.

The Shareholders' Meeting shall be convened by the Administrative Body at least once a year, within one hundred and twenty days from the end of the financial year or within one hundred and eighty days, should the Company be required to prepare the consolidated financial statements or when special circumstances regarding the Company's structure and object require it.

A meeting may be called by at least two members of the Board of Statutory Auditors, prior notification to the Chairman of the Administrative Body.

Directors shall call a Shareholders' Meeting without delay when so requested by shareholders representing at least one-twentieth of the share capital and when the request indicates the items to be discussed and a report on the proposals concerning the items to be discussed has been prepared by the requesting shareholders in accordance with law.

The Shareholders' Meeting may also be held outside the registered office, provided that the venue is in Italy.

Meetings are called by means of a notice containing the day, the time, the place in which the meeting is to be held, the subjects to be discussed and any further indication requested by law. This notice is to be published within the terms of the law on the website of the Company and in accordance with any other methods provided for by the provisions of law or regulations in force at the time.

Should the previous Shareholders' Meeting not be duly constituted, the notice of call may provide for a second and subsequent date. The Meetings on second and subsequent call shall be held within thirty days from the date the first Shareholders' Meeting was called.

The Shareholders' Meeting on subsequent call cannot be held the same day as the Shareholders' Meeting previously called.

Both ordinary and extraordinary Shareholders' Meetings are deemed duly constituted and resolve on first, second and third call in accordance with the majorities provided for each case by the law.

Attending shareholders representing one third of the share capital have the right to postpone the meeting for no more than five days if they state that they are not sufficiently informed about the items on the agenda.

Those having the right to vote are entitled to attend and to vote at the Shareholders' Meeting, in accordance with the regulatory provisions applicable from time to time, for whom the Company has received a communication from the authorised intermediary, within the terms provided for by the regulations in force.

Meetings may also be held by video conference, as per Art. 17 of the Articles of Association.

In accordance with the regulatory provisions applicable from time to time, any person entitled to vote may be represented by virtue of a written or electronic proxy pursuant to Article 2372 of the Italian Civil Code and the provisions of Articles 135-*novies* and following of Italian Consolidated Law on Finance and related implementing rules on the subject of proxies and solicitation of proxies. The electronic notification of the proxy, unless otherwise provided by law or regulations on the matter, may be sent by certified electronic mail, in the manner indicated in the notice of call from time to time.

The Chairman of the Meeting shall ascertain the right to participate in the meeting, also in conformity with applicable regulations relating to representation by proxy.

The Company, taking into account the limited number of shareholders present, which has always allowed for an orderly conduct of the proceedings and the intervention of those present on the items under discussion, has not adopted any Meeting regulations.

During the 2019 financial year, an Ordinary and Extraordinary Shareholders' Meeting was held on second call on 30 September 2019.

On 15 July 2019, the ordinary Shareholders' Meeting resolved in favour of the proposals presented by the Board of Directors in relation to the following points: 1 (Financial Statements at 31 December 2017, accompanied by the Directors' Report, the Report of the Board of Statutory Auditors and the Report of the Independent Auditor. Presentation of the Consolidated Financial Statements at 31 December 2017 and the Consolidated Non-Financial Statement prepared in accordance with the Italian Legislative Decree 254/2016. Resolutions thereon); 2 (Financial Statements at 31 December 2018, accompanied by the Directors' Report, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors. Presentation of the Consolidated Financial Statements at 31 December 2018 and the Consolidated Non-Financial Statement prepared in accordance with the Italian Legislative Decree 254/2016. Resolutions thereon); 3 (3. Resolution regarding the first section of the report on remuneration pursuant to Art. 123-*ter* of Italian Consolidated Law on Finance);

4 (Appointment and Remuneration of the Board of Directors); 5 (Appointment and Remuneration of the Board of Statutory Auditors).

On 15 July 2019, the Extraordinary Shareholders' Meeting resolved in favour of the proposals presented by the Board of Directors in relation to the following points: 1 (Measures pursuant to Article 2447 of the Italian Civil Code. Resolutions thereon); 2 (Reverse split proposal of shares of Trevi Finanziaria Industriale S.p.A.: first reverse split in the ratio of 1 (one) share for each 100 (one hundred) existing shares to be carried out prior to the Right of First Refusal Increase and second reverse split in the ratio of 1 (one) share for each 100 (one hundred) existing shares to be carried out after the Right of First Refusal Increase, in both cases subject to the cancellation of the minimum number of ordinary shares necessary to allow the numbers to be squared without reducing the share capital; amendment of Article 6 of the Articles of association, Resolutions thereon) and 3 (Amendment of Articles 5, 11, 12, 13, 25, 26 and 28 of the Articles of Association. Resolutions thereon).

#### **15. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis, paragraph 2, letter a), Italian Consolidated Law on Finance)**

There are no other corporate governance practices other than those already outlined in the previous points.

#### **16. CHANGES SINCE THE END OF THE REPORTING PERIOD**

At the date of this Report and over the 2020 financial year prior to the approval of this Report, the following events occurred.

- With provisions of 2 October 2019, the Court of Forlì granted the authorisation pursuant to Article 182-*quinquies* of the Italian Bankruptcy Law, for the disbursement by some of the lending banks of a new loan for a total of Euro 12 million in favour of the subsidiaries Trevi S.p.A. (for Euro 8.4 million) and Soilmec S.p.A. (for Euro 3.6 million). The new loan, as envisaged following the signing of a specific contract with a number of lending banks, was designed to support the Group's cash requirements until the completion of the overall capital strengthening and debt restructuring transaction. The Court of Forlì on the same date also authorised the granting to Trevifin, pursuant to Article 182-*quinquies* of the Italian Bankruptcy Law, of a new interim loan in the form of bank guarantees for a total amount of Euro 39.3 million.

- By order of 7 November 2019, received by Trevifin on 15 November, the Court of Forlì rejected the request for the approval of the Restructuring Agreements. Trevifin, and its subsidiaries Trevi S.p.A. and Soilmec S.p.A., not agreeing with the reasons and content of the decision made by the Court of Forlì, promptly filed a complaint with the Court of Appeal of Bologna on 29 November 2019, so that, with revision of the rejection order, the request for approval of the Restructuring Agreement was accepted.
- Moreover, in order not to jeopardise the successful outcome of the restructuring manoeuvre, while awaiting the outcome of the aforementioned complaint, Trevifin initiated discussions for the adoption of all appropriate conservative measures of the restructuring manoeuvre, both with the Institutional Shareholders who have undertaken commitments to subscribe to the Capital Increase, and with the banks and financial institutions participating in the Restructuring Agreement, as well as with the MEIL Group in relation to the agreements for the transfer of TREVI Group's Oil & Gas division to the latter.
- On 28 November 2019, the Trevifin's Board of Directors approved the consolidated results at 30 September 2019 on a going concern basis in relation to the following elements:
  - the submission, to the Court of Appeal of Bologna, of the complaint filed against the rejection measure adopted by the Court of Forlì to obtain the approval of the Restructuring Agreement;
  - the confirmation in writing received from the Institutional Shareholders that the commitments undertaken by them in relation to the subscription of the planned Capital Increase were to be considered fully effective, under the same terms and conditions provided for in the Investment Agreement;
  - the written confirmation received from MEIL in relation to the commitments undertaken by it under the Sale and Purchase Agreement regarding the sale of the Oil & Gas Division subscribed on 5 August 2019, also confirming its willingness to close the transaction at the end of the approval process of the Restructuring Agreement; and
  - the absence, also on the basis of ongoing discussions, by some of the banks party to the Restructuring Agreement, of any element that might suggest that any of the banks party to the Restructuring Agreement had no intention of declaring it terminated and/or withdrawing from it.

- With decrees dated 10 January 2020, notified to Trevifin, Trevi S.p.A. and Soilmec S.p.A. on 21 January 2020, the Court of Appeal of Bologna accepted the complaints against the provisions of the Court of Forlì that rejected the approval of the Restructuring Agreement, deeming the reasons put forward by the claimants well founded, and therefore it approved the Restructuring Agreement itself.
- Trevifin took therefore prompt action to complete all the transactions provided for in the Restructuring Agreement as quickly as possible, including the Oil & Gas Divestment and the execution of the Capital Increase.
- With reference to the execution of the Capital Increase and the relevant application for approving the publication of the IPO prospectus, submitted to the competent authority, i.e., CONSOB, on 18 October 2019 and in respect of which the related investigation was underway, Trevifin withdrew the application on 18 November following the rejection measures taken by the Court of Forlì.
- On 27 January 2020, following approval by the Court of Appeal of Bologna, a new formal filing of the application for approving the publication of the prospectus was carried out and a new version of the document including the necessary attachments was filed. On 19 March 2020, a new filing was carried out in order to comply with the integration requests received by CONSOB in the meantime.
- On 24 February 2020, the Board of Directors of Trevifin resolved, *inter alia*, to approve some technical amendments made to the resolution of 17 July 2019 relating to the Capital Increase. Specifically, reference was made to:
  - the extension of the deadline for executing the Capital Increase and issuing the Warrants (as defined below) from 31 March to 31 May 2020; and
  - in order to achieve an option ratio between integer numbers (avoiding decimals), within the framework of the Right of First Refusal Increase, the increase in the amount of this capital increase to a total amount of Euro 130,001,189.07 (therefore Euro 1,189.07 higher than that already approved), through the issue (taking into account the reverse split implemented on 18 November 2019) of a total number of

13,000,118,907 ordinary shares (118,907 additional shares).

- On 28 February 2020, the first step of the closing of the Oil & Gas Divestment was completed, by transferring a first non-controlling interest in Petreven S.p.A. against the payment, by the MEIL Group, of a portion of the consideration amounting approximately to Euro 20 million. This portion of the sale price was used by Trevifin to purchase in advance certain assets held under lease and used within the Oil & Gas segment to transfer them to the Oil & Gas Division.
- On 31 March 2020, the second part of the Closing of the Oil & Gas Divestment was successfully completed. In particular, pursuant to the purchase and sale agreement signed on 5 August 2019, as subsequently amended, the entire share capital of Drillmec S.p.A., Drillmec Inc. and Petreven S.p.A. (net of a non-controlling interest already sold to MEIL Group on 28 February 2020) was sold to MEIL Group for a total amount of approximately Euro 116.4 million. Part of the price paid by the MEIL Group was used by Trevifin, prior to the launch of the Capital Increase, to repay Euro 48.5 million of the bank debt related to the Oil & Gas Division, which had already been taken over by the Company for approximately Euro 107 million, in accordance with the Restructuring Agreement.
- On 23 April 2020, the Trevifin Board of Directors confirmed the final terms of the Capital Increase as well as the timetable of the Notice of Rights issue and the structure of Warrants. More in detail:

I. With reference to the Capital Increase

Pursuant to the above-mentioned powers, on 17 July 2019 and 24 February 2020, the Board of Directors approved an increase in the share capital of the Issuer for a total amount of Euro 213 million, broken down as follows: (i) an indivisible capital increase against consideration, for a total amount of Euro 130,001,189.07 inclusive of share premium, by issue of a total of 13,000,118,907 shares, without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01 (the “Issue Price”), of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed to share premium and to be offered with right of first refusal to the shareholders pursuant to



Art. 2441, paragraph 1, of the Italian Civil Code, by 31 May 2020 (the “**Right of First Refusal Increase**”); (ii) a capital increase against consideration for a total amount of Euro 63,137,242.00, to be paid in one instalment up to the amount of Euro 10,593,896.00, by issuing a total of 6,313,724.200 ordinary shares, without nominal value, having the same characteristics as the outstanding shares, at an issue price per share of Euro 0.01, of which Euro 0.001 to be attributed to capital and Euro 0.009 to be attributed to the share premium (the “**Conversion Shares**”), to be offered, with the exclusion of the right of first refusal pursuant to Art. 2441, paragraph 5, of the Italian Civil Code, to banks to be paid by voluntarily converting certain, liquid and collectible receivables, by 31 May 2020, at a ratio of conversion of the receivable to capital of 4.5 to 1 (the “**Capital Increase by Conversion**” and together with the Right of First Refusal Increase, the “**Capital Increase**”); and (iii) a divisible capital increase against consideration, for a maximum total amount of Euro 19,986,562.21 inclusive of the share premium, which will be implemented through the future issue of maximum of 1,537,170,662 ordinary shares (the “**Conversion Shares**”) serving the exercise of a maximum of 1,647,832 warrants (the “**Warrants**”) that will be assigned free of charge to the shareholders before the detachment of the right of first refusal relating to the Right of First Refusal Increase (i.e., 4 May 2020) (the “**Capital Increase for the Conversion of Warrants**”). The exercise of the subscription right can only take place on the Warrant’s expiry date, which will fall on the fifth anniversary of the issue date, i.e., 5 May 2025.

As part of the financial manoeuvre, the Institutional Shareholders undertook to subscribe the Right of First Refusal Increase for a total amount of approximately Euro 77.5 million. In particular:

a)FSI Investimenti S.p.A. made an irrevocable subscription commitment up to a maximum amount of Euro 38,728,327.00, of which: (a) for an amount equal to Euro 21,907,237 (of which Euro 2,190,724 as capital and Euro 19,716,513 as share premium) for the subscription of all newly issued shares due to it on the basis of the rights of first refusal; as well as (b) for the maximum amount of Euro 16,821,090 (of which Euro

1,682,109 as capital and Euro 15,138,981 as share premium) for the subscription of any unexercised rights of first refusal; and

b) Polaris Capital Management, LLC, in its capacity as *asset management company*, made an irrevocable subscription commitment up to a maximum subscription amount of Euro 38,728,327.00, of which: (a) for an amount equal to Euro 13,879,745 (of which Euro 1,387,974 as capital and Euro 12,491,770 as share premium) for the subscription of all newly issued shares due to it on the basis of the rights of first refusal; as well as (b) for the maximum amount of Euro 24,848,582 (of which Euro 2,484,858 as capital and Euro 22,363,724 as share premium) for the subscription of any unexercised rights of first refusal.

Banks instead undertook the commitment subject to the total fulfilment by the Institutional Shareholders of the subscription commitments indicated above, to subscribe the unexercised shares of the Right of First Refusal Increase and/or the Conversion Shares, freeing them up by voluntarily converting their receivables due from Trevifin for a total of Euro 284.1 million, according to a conversion ratio of credit to capital of 4.5 to 1, for an equivalent amount of approximately Euro 63.1 million.

## II. With reference to the timetable of the Notice of rights issue

The timetable for the execution of the offer of a total of 13,000,118,907 shares, without nominal value, having the same characteristics as the outstanding shares and deriving from the Right of First Refusal Increase, to be offered for subscription to Trevifin shareholders at the Issue Price and in the ratio of 7,899 shares on offer for each share held (the “**Notice of Rights**”). The maximum value of the Notice of Rights will be equal to Euro 130,001,189.07, inclusive of share premium. Having obtained the authorisation for the publication of the Information Prospectus by CONSOB (see below) on 29 April, the rights of first refusal that will entitle to subscribe for the shares subject to the Notice of Rights shall be exercised under penalty of forfeiture in the period from 4 May 2020 to 18 May 2020 included (the “**Subscription Period**”). The Rights of first refusal will be negotiable on the Stock Exchange from 4 May to 12 May 2020 included. Rights of first refusal not exercised by the end of the Subscription period will be offered on the stock exchange by the Issuer within the month

following the end of the Subscription period for at least five open market days, pursuant to Article 2441, third paragraph of the Italian Civil Code

### III. With reference to Warrants

The Warrants admitted to listing on the MTA are 1,645,793 European-type warrants exercisable on expiry, with ISIN code IT0005402885. The Warrants were assigned free of charge to the shareholders before the detachment of the right of first refusal relating to the Right of first refusal increase, i.e., on 4 May 2020 (the “Issue Date”), at the rate of 1 Warrant per each share held. No Warrants were assigned to treasury shares held by Trevifin, equal to 2.039. Warrants have the ordinary Trevifin share as underlying financial instrument, giving the holder the right to subscribe - under the terms and conditions provided in the Warrant Regulation - for newly issued shares in the ratio of 934 Conversion Shares per each Warrant held, at the exercise price for each Conversion Share subscribed equal to Euro 0.013. The exercise of the subscription right can only take place on the expiry date of the Warrants, which will fall on the fifth anniversary of the issue date, i.e., 5 May 2025. The holders of the Warrants who have continuously maintained ownership of these financial instruments between the sixth month following the issue date and the expiry date (i.e., between 4 November 2020 and 5 May 2025) will also have the subscription right of 1 additional share (the “**Bonus Share**”) for every 5 Conversion Shares subscribed through the exercise of the Warrants. For the purpose of identifying uninterrupted possession for this period of time, starting from the sixth month following the date of issue (i.e., from 4 November 2020), the Warrants will be identified by the ISIN code IT0005402935. If the Warrants are transferred before the aforementioned term, they will take the ISIN code IT0005402885 and in this case, if exercised, they will not give the right to subscribe the Bonus Shares. The Italian Stock Exchange admitted the Warrants to listing on the MTA with provision No. 8646 dated 20 April 2020; the start date of trading is expected to coincide with the assignment date, i.e., 4 May 2020.

- On 29 April 2020, the Board of Directors of Trevifin announced that

CONSOB had authorised by Note prot. No. 0393199/20 the publication of the Prospectus relating to the “Notice of Rights” and the admission to trading of newly issued shares within the Capital Increase and warrants on the MTA (Italian Electronic Stock Exchange), organised and managed by Borsa Italiana S.p.A.. The Prospectus was filed with CONSOB in the forms and terms required by law. Trevifin made available the Key Investor Documents (KIDs) relating to rights of first refusal and warrants, prepared in accordance with Regulation (EU) No. 1286/2014 and the related implementing legislation.

- On 29 April 2020, the lending banks that are contracting party to the Restructuring Agreement, through the agent, confirmed that all the conditions precedent provided by the same had been met, and that therefore this agreement shall be considered fully effective in all its provisions. Through this communication, the banks also confirmed that the commitments to subscribe and pay up the Capital Increase undertaken by them under the Restructuring Agreement are to be understood as irrevocable and unconditional, with the sole exception of the condition relating to the full compliance of FSI Investimenti S.p.A. and Polaris Capital Management, LLC with all the commitments to subscribe and pay up the Right of First Refusal Increase undertaken by them under the Investment Agreement.
- On 4 May 2020, warrants were assigned to the entitled parties.
- On 18 May 2020, the Notice of Rights relating to the Right of First Refusal Increase was completed, in the context of which 4,584,239,943 newly issued ordinary shares of the Company were subscribed, for a total amount of Euro 45,842,399.43. At the end of the Subscription Period, 1,065,436 Rights of first refusal were not exercised, which relate to the subscription of 8,415,878,964 Shares on Offer, for a total amount of Euro 84,158,789,64, which were offered by the Company on the Stock Exchange, pursuant to Art. 2441, paragraph 3 of the Italian Civil Code.
- The offer on the Stock Exchange of unexercised rights of first refusal ended early on 21 May 2020, as 1,065,436 unexercised rights of first refusal were entirely sold by the end of the subscription period.
- On 27 May 2020, the date by which 1,065,436 unexercised rights of first refusal should have been exercised, under penalty of forfeiture, all those rights were

exercised and 18,783,822 shares from the Right of First Refusal Increase were subscribed.

- At the date of approval of this Report, the Capital Increase was successfully completed and 15,083,921,496 newly issued ordinary shares of the Company were subscribed, for a total amount of Euro 150,839,214.96. In particular:
  - the tranche of the capital increase offered with rights of first refusal to shareholders was fully subscribed for Euro 130,001,189.07, of which Euro 87,701,972.96 through cash payment and Euro 42,299,216.02 by the main banks converting receivables from the Company, at a conversion ratio of 4.5:1 (the “Right of First Refusal Increase”). As part of the Right of First Refusal Increase the institutional shareholders FSI Investimenti S.p.A. (a subsidiary of CDP Equity) and Polaris Capital Management, LLC (the “Institutional Shareholders”) subscribed and released in cash a total amount of Euro 77,456,654.00 (equal to Euro 38,728,327.00 each), to fulfil the underwriting commitments undertaken by the same as part of the investment agreement signed with the Company last 5 August; and
  - the tranche of capital increase reserved for the lending banks, with the exclusion of rights of first refusals, was subscribed for Euro 20,838,025.89 by converting receivables due to the banks from the Company, at the same conversion ratio of 4.5:1 (the “Capital Increase by Conversion”).
- At the end of the capital increase, the breakdown of shareholders was as follows:
  - 25.67% held by FSI Investimenti S.p.A. (subsidiary of CDP Equity);
  - 25.67% held by Polaris Capital Management, LLC;
  - 41.85% held by banks and financial institutions that have entered into subscription commitments under the Restructuring Agreement; and
  - 6.81% held by other investors.
- The Company will make the communications relating to the execution of the Capital Increase in accordance with the terms and conditions provided for by applicable laws and regulations. Shareholders holding significant investments pursuant to Art. 120 of Italian Consolidated Law on Finance shall notify Consob in this regard in accordance with the terms and conditions provided for by applicable laws and regulations.

On 29 May 2020, the Board of Directors resolved to convene the Ordinary Shareholders' Meeting for 29 June 2020 at 11:00, on first call and, if necessary, on 30 June 2020, at the same place and time, on second call; the notice of call and the reports on the agenda are made available within the terms provided for by law.

Cesena, 29 May 2020

on behalf of the Board of Directors

(The Chairman Luca d'Agnese)

# SUMMARY TABLES

**TABLE 1: INFORMATION on OWNERSHIP STRUCTURE**

<b>SHARE CAPITAL STRUCTURE</b>				
	No. of shares	% of share capital	Listed (specify which markets) / not listed	Rights and obligations
Ordinary shares	16,478,326	100%	Listed on the Milan Stock Exchange	-

<b>OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe newly issued shares)</b>				
	Listed (specify the markets) / not listed	No. of outstanding instruments	Class of shares serving the exercise	Maximum No. of shares serving the exercise
Warrant	Borsa Italiana-	1,645,793	Ordinary shares	1,537,170,662



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

Board of Directors												Control, Risk and Sustainability Committee			Appointment and Remuneration Committee		Related Party Committee		Possible Executive Committee	
Office	Members	Year of birth	Date of first appoint	In office from	In office until	List **	Exec.	Non-exec.	Code Indep.	TUF Indep.	No. of other offices	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
<b>Chairman</b>	d'Agnese Luca	1964	2019	2019	2021	M		X			-	5/5								
<b>Vice Chairman</b>	Trevisani Cesare	1951	1983	2019	2021	M		X			-	5/5								
<b>CRO</b>	Iasi Sergio	1958	2017	2017	2021	M	X					5/5								
<b>Chief Executive Officer</b> ◇	Caselli Giuseppe	1958	2019	2019	2021	M	X				-	5/5								
<b>Director</b>	Trevisani Stefano	1963	1983	2019	2021	M	X				-	5/5								
<b>Director</b>	Dassù Marta	1955	2015	2019	2021	M		X	X	X		5/5						2/2		
<b>Director</b>	Caviglia Luca	1971	2019	2019	2021	M		X				5/5	1/1				M			
<b>Director</b>	Finocchi Mahne Cristina	1965	2013	2019	2021	M		X	X	X		5/5	1/1	M	6/6		M	2/2	M	
<b>Director</b>	Oliveri Elisabetta	1963	2019	2019	2021	M		X	X	X		5/5		C	6/6				M	
<b>Director</b>	Piccioni □ Alessandro	1987	2019	2019	2021	M		X	X	X		5/5			6/6					
<b>Director</b>	Rolli Rita	1969	2015	2019	2021	M		X	X	X		13/14	8/8	M	11/11		C	3/3	C	
<b>-----DIRECTORS WHO RESIGNED FROM OFFICE DURING THE RELEVANT FINANCIAL YEAR-----</b>																				
	-																			
<b>No. of meetings held during the relevant financial year: 14</b>						Control and Risk Committee 8				Appointment and Remuneration Committee: 11		Related Party Committee: 3			Executive Committee: N/A					
<b>Indicate the quorum required for submitting the lists by minorities for the appointment of one or more members (pursuant to art. 147- ter of Italian Consolidated Law on Finance): 2.50%</b>																				

**NOTES**

The symbols specified below shall be entered in the column headed "Office":

• This symbol indicates the Director in charge of the internal audit and risk management system.

◇ This symbol indicates the main responsible for the management of the Issuer (Chief Executive Officer or CEO).

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

\* Date of first appointment of each director means the date on which the Director has been appointed for the first time (ever) in the Issuer's BoD.

\*\* This column specifies the list from which each director has been appointed ("M": majority list; "m": minority list; "BoD": list presented by the BoD).

\*\*\* This column specifies the number of offices as director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, or in financial, banking, insurance or other large companies. The offices are reported in full in the Corporate Governance Report.

(\*) This column specifies the directors' attendance at the meetings of the Board of Directors and committees (indicate the number of meetings attended out of the total of meetings held, e.g., 6/8; 8/8 etc.).

(\*\*) This column specifies the director's role in the Committee: "C": chairman; "M": member.

**OFFICES AS DIRECTOR OR STATUTORY AUDITOR HELD BY EACH DIRECTOR IN OTHER COMPANIES LISTED ON REGULATED MARKETS, INCLUDING FOREIGN MARKETS, OR IN FINANCIAL, BANKING, INSURANCE OR OTHER LARGE COMPANIES:**

Name and surname	Office held pursuant to Art. 1.3 of the Corporate Governance Code
Luca d’Agnese	N/A
Cesare Trevisani	<ul style="list-style-type: none"> <li>• Sofitre S.r.l. - Board Director – Chief Executive Officer</li> <li>• Trevi Holding SE - Chairman of the Board of Directors</li> </ul>
Giuseppe Caselli	<ul style="list-style-type: none"> <li>• Trevi - Chairman of the Board of Directors</li> <li>• Soilmec – Chairman of the Board of Directors</li> </ul>
Sergio Iasi	<ul style="list-style-type: none"> <li>• Trevi - Board Director</li> <li>• Soilmec – Board Director</li> </ul>
Stefano Trevisani	<ul style="list-style-type: none"> <li>• Trevi - Chief Executive Officer</li> </ul>
Luca Caviglia	<ul style="list-style-type: none"> <li>• Soilmec – Board Director</li> </ul>
Cristina Finocchi Mahne	<ul style="list-style-type: none"> <li>• Italiaonline S.p.A. Board Director</li> <li>• Banco di Desio e della Brianza S.p.A. Board Director</li> <li>• Elica S.p.A. Board Director</li> </ul>
Alessandro Piccioni	N/A
Rita Rolli	<ul style="list-style-type: none"> <li>• Independent Board Director of Cassa dei Risparmi of Forlì and Romagna S.p.A. (Gruppo Intesa Sanpaolo) and Member of the Audit Technical Committee. Resigned from both offices on 31 December 2018;</li> <li>• Independent Board Director of I.M.A. Industria Macchine Automatiche S.p.A. and since 2018 Chairperson of the Committee for Risk and Control and for Related Party Transactions.</li> <li>• Independent Board Director of Snam S.p.A. since 2 April 2019</li> </ul>
Marta Dassù	<ul style="list-style-type: none"> <li>• Independent Board Director of Leonardo S.p.A.</li> </ul>
Elisabetta Oliveri	<ul style="list-style-type: none"> <li>• Chairperson of Fondazione Furio Solinas Onlus;</li> <li>• Chairperson of Sagat S.p.A.;</li> <li>• Board Director of ERG S.p.A.;</li> <li>• Board Director of Fincantieri S.p.A.;</li> <li>• Board Director of Stella S.p.A.;</li> </ul>

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

<b>Board of Statutory Auditors</b>									
<i>Office</i>	<b>Members</b>	<b>Year of birth</b>	<b>Date of first appointment *</b>	<b>In office from</b>	<b>In office until</b>	<b>List **</b>	<b>Code Indep.</b>	<b>Attendance at the Board meetings ***</b>	<b>No. of other offices ****</b>
<b>Chairman</b>	Motta Milena Teresa	1959	2015	2019	2021	M	X	17/17	
<b>Standing auditor</b>	Marco Vicini	1957	2019	2019	2021	M	X	5/5	
<b>Standing auditor</b>	Raffaele Ferrara	1954	2019	2019	2021	M	X	5/5	
<b>Alternate auditor</b>	Pierini Mara	1972	2019	2019	2021	M	X	N/A	
<b>Alternate auditor</b>	Giondi Massimo	1959	2019	2019	2021	M	X	N/A	
<b>-----STATUTORY AUDITORS WHO RESIGNED FROM OFFICE DURING THE RELEVANT FINANCIAL YEAR-----</b>									
<b>Standing auditor</b>	Adolfo Leonardi*****		2015	2015	2019			12/12	
<b>Standing auditor</b>	Stefano Leardini*****		2019	2019	2019			12/12	
<b>No. of meetings held during the relevant financial year: 17</b>									
<b>Indicate the quorum required for submitting the lists by minorities for the appointment of one or more members (pursuant to Art. 148 of Italian Consolidated Law on Finance): 2.50%</b>									

**NOTES**

\* Date of first appointment of each Statutory Auditor means the date on which the Statutory Auditor has been appointed for the first time (ever) in the Issuer's Board of Statutory Auditors.

\*\* This column specifies the list from which each Statutory Auditor has been appointed ("M": majority list; "m": minority list); Valeria Vegni has been appointed upon proposal of the majority Shareholder without list voting

\*\*\* This column specifies the statutory auditors' attendance at the meetings of the Board of Statutory Auditors (indicate the number of meetings attended out of the total of meetings held, e.g., 6/8; 8/8 etc.).

\*\*\*\* This column specifies the number of offices as director or statutory auditor held by the person concerned pursuant to Art. 148-bis of Italian Consolidated Law on Finance and of the related implementing provisions contained in the Consob Issuers' Regulation. The complete list of appointments is published by Consob on its website pursuant to Art. 144-quinquiesdecies of Consob Issuers' Regulation.

\*\*\*\*\* office ceased on 30 September 2019.