



REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

**PURSUANT TO ART. 123 *BIS* OF THE
CONSOLIDATED FINANCE ACT (CFA)**

(STANDARD GOVERNANCE AND STATUTORY AUDITING)

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.

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DEFINITIONS

CODE/CODE OF CONDUCT

The Code of Conduct for Listed Companies issued in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria.

C.c.

The Italian Civil Code.

BOARD

The Board of Directors of IMA.

IMA OR THE COMPANY

The issuer of listed shares to which this Report refers.

FINANCIAL YEAR

The financial year to which this Report refers.

CONSOB ISSUERS REGULATIONS

The Regulations concerning issuers of listed securities, issued by Consob by means of resolution no. 11971 of 1999 (as amended from time to time).

CONSOB MARKET REGULATIONS

The Regulations concerning capital markets, issued by Consob by means of resolution no. 20249 of 2017 (as amended from time to time).

RELATED PARTIES REGULATIONS

The Regulations on related parties transactions issued by Consob by means of resolution no. 17221 of 2010 (as amended from time to time).

REPORT

The Corporate Governance Report to be filed by listed companies according to art. 123 *bis* TUF.

TUF

The Italian Legislative Decree no. 58 of 24 February 1998 (*Testo Unico Finanza – TUF*).

1. COMPANY PROFILE

Established in 1961, IMA is worldwide leader in designing and manufacturing of automatic machines for processing and packaging of pharmaceuticals, cosmetics, tea, coffee and food.

The corporate governance adopted by IMA is based on the distribution of functions and powers in accordance with the standard model of corporate governance: Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

The definition of small-medium enterprise (*piccola media impresa – PMI*) set out under article 1, para.1, letter *w-quater.1*) of FCA and under article *2-ter* of Consob Issuers' Regulation does not apply to IMA.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (ART. 123 BIS, PARAGRAPH 1, TUF)

a) Structure of the share capital (art. 123 bis, 1 (a), TUF)

The share capital paid in as of 31 December 2018 is equal to euro 20,415,200 divided into no. 39,260,000 ordinary shares with a par value of euro 0.52 each.

The structure of the share capital is specified under Table 1.

The Company's shares are listed on the STAR segment of the screen-traded market held by Borsa Italiana S.p.A. (MTA).

The Company has not issued any other financial instruments entitling to newly-issued shares subscription.

The Company has not approved any equity-based incentive plans (*e.g.*: stock options, stock grants).

b) Restrictions on the transfer of securities (art. 123 bis, 1 (b), TUF)

As of the date of approval of this Report, there are no restrictions on the transfer of the Company's shares.

c) Significant shareholdings (art. 123 bis, 1 (c), TUF)

As of the date of approval of this Report, according to the shareholders' register and to the communications made pursuant to art. 120 TUF – as amended by art. 1 of Legislative Decree no. 25 of 15 February 2016 – and any other information received, the entities listed in Table 1 directly or indirectly hold a shareholding equal to, or higher than, 3% of the Company's share capital.

d) Securities that entitle holders to special rights (art. 123 bis, 1 (d), TUF)

As of the date of approval of this Report, the Company has not issued any securities that entitle holders to any special control right or any special powers whatsoever.

By means of resolution of 21 April 2017, the Extraordinary Shareholders' meeting of IMA resolved to amend some rules set out under the Company's by-laws, for the purpose of including the increased voting right set out under article 127 *quinquies* TUF.

More specifically, each ordinary share of IMA shall entitle to express two (2) voting rights, in case the following conditions are met: (i) the share has belonged to the same individual or entity, by means of right *in rem* entitling to the exercise of the voting right (full ownership, bare ownership with voting right and usufruct with voting right), for an uninterrupted period of at least twenty-four (24) months, and (ii) such conditions is certified by means of registration under the register held by the Company for an uninterrupted period of at least twenty-four (24) months and by means of a communication issued by the intermediary acting as depositary of the shares and referring to the initial date of such uninterrupted period.

As at the date of approval hereof, five (5) shareholders have requested to be registered under the register above and one (1) of them holds a relevant shareholding.

e) Shares held by employees: exercise of voting rights (art. 123 bis, 1 (e), TUF)

As of the date of approval of this Report, no employee stock ownership plan is set out.

f) Restrictions on voting rights (art. 123 bis, 1 (f), TUF)

As of the date of approval of this Report, no restrictions on voting rights are provided.

g) Shareholders' agreements (art. 123 bis, 1 (g), TUF)

As of the date of approval of this Report, the Company has not been made aware of any agreements between significant shareholders as set forth under art. 122 TUF.

h) Change of control clauses (art. 123 bis, 1 (h), TUF) and provisions under IMA's By-laws on takeover bids (art. 104, 1 bis and 104 bis, 1, TUF)

As of the date of approval of this Report, neither IMA and any of its subsidiaries and affiliated companies are party to material agreements that shall become effective, be amended or terminated in the event of a change of control event affecting the contracting party, with the sole exception of the contract underlying the bond loan placed with US institutional investors (US Private Placement) and certain financing agreements whose acceleration clauses may be triggered in the event of a change in the majority shareholders.

No derogation to the passivity rule set forth in art. 104, paragraphs 1 and 1 bis TUF nor effectiveness of the neutralisation rules set forth in art. 104 bis, paragraphs 2 and 3, TUF are provided under IMA's By-laws.

i) Power to increase the share capital and authorisations to purchase treasury shares (art. 123 bis, 1 (m), TUF)

Pursuant to art. 2443, paragraph 2, c.c., the Extraordinary Shareholders' Meeting held on 27 April 2016 resolved to grant the Board of Directors with the necessary powers to increase the share capital by payment in one or more tranches over a period of five years as from the date of the resolution by up to a maximum value of Euro 1,950,520 by issuing a maximum of 3,751,000 ordinary shares having a nominal value of Euro 0.52 each, to be placed exclusively with qualified third-party investors and excluding the exercise of any possible option rights by any current shareholders, in accordance with art. 2441, paragraph 4, c.c. and/or art. 2441, paragraph 5 c.c..

As a partial exercise of the powers granted to the Board by the Extraordinary Shareholders'

Meeting of 27 April 2016, on 6 June 2016 the Board of Directors resolved to increase the share capital by payment, in one or more tranches, by a maximum nominal amount of Euro 910,000 equal to 4.67% of the Company's existing share capital by issuing up to 1,750,000 new ordinary shares, having a nominal value of Euro 0.52 each, entitling to standard dividend rights, and excluding the exercise of any possible option rights by any current shareholders pursuant to art. 2441, paragraph 4, part 2, c.c.. Such newly-issued shares were offered for subscription to both Qualified Investors (as defined in Article 34 *ter*, para. 1 (b) of the Consob Regulations on Issuers) in Italy and institutional investors abroad, as defined under Regulation S and under Rule 144A, issued pursuant to the US Securities Act of 1933 and excluding any country of jurisdiction in which offers or sales of offered shares are prohibited by the law.

On 27 April 2018, the Shareholders' Meeting authorized the purchase of treasury shares pursuant to art. 2357 c.c., granting such power for a period of twelve (12) months as from authorization.

The Shareholders' Meeting has granted the Board with the necessary powers to (i) purchase IMA's treasury shares up to the maximum amount permitted by the law and within the limit of the available reserves and distributable profits resulting from the latest approved financial statements and (ii) to sell or use the Company's treasury shares.

During such period, the following transactions on treasury shares have been made by the Company: as at the end of 2018, IMA holds 107,000 treasury shares, as the result of several purchase transactions carried out from 16 November 2018 and 21 December 2018 and by means of previous authorisations by the Shareholders' Meeting; before starting such buy-back programme, IMA held no. 5,500 treasury shares.

j) Management and coordination activity (art. 2497 c.c.)

Although controlled by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (hereinafter, *SO.FI.M.A.*), IMA is not subject to management or coordination influence of the latter, as described under pursuant to arts. 2497 *et seq.* c.c..

In compliance with art. 16, paragraph 4, of Consob Market Regulations, below are the reasons why IMA is not to be considered as subject to management and coordination influence by its parent company SO.FI.M.A..

The decision-making process, decisions concerning the management of IMA as well as its activity are not influenced in any way whatsoever by its parent company, also because of IMA's Directors includes a certain number of independent directors which contributes in a significant way to the Board's resolutions.

Further indicators of IMA's decision-making independence are (i) its exercises full negotiating power with all customers, suppliers and banks, and (ii) the absence of any kind of treasury mechanism whatsoever between IMA or its subsidiaries and SO.FI.M.A..

Please note that:

- a) the information required under article 123 *bis*, paragraph 1 (i) ("*agreements between the company and its directors [...] which provide for compensation in the event of retirement or dismissal without just cause, or if their employment contract is terminated as the result of a takeover bid*") may be found in the remuneration report published in compliance to art. 123 *ter* TUF;
- b) the information required under article 123 *bis*, paragraph 1 (l) ("*the rules applicable for the appointment or replacement of directors ... and for amendments to the By-laws, if*

different from any additional rules of law or regulations that may be applicable”) is provided under section 4.1 of this Report.

3. COMPLIANCE

IMA applies, and complies with, the Code, save for the exceptions set out below.

During July 2018 the Corporate Governance Committee approved some amendments to the Code concerning, *inter alia*, the applicable provisions of gender diversity in the composition of the Board of Directors and of the Board of statutory Auditors.

This Report has been drafted on the basis of the “Format for the Report on Corporate Governance and Ownership Structure” issued by Borsa Italiana S.p.A. in January 2018.

The Code of Conduct is available at the following website: <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>.

* * *

IMA is not subject to law or regulations others from Italian laws and regulations influencing its corporate governance structure.

4. BOARD OF DIRECTORS

4.1. Appointment and Replacement (art. 123 bis, paragraph 1 (l), TUF)

IMA’s By-laws provide that the Board of Directors shall be composed of a number of directors not lower than five and not higher than fifteen.

In order to comply with the provisions of Law no. 120 of 2011 on gender balance of members of the Board of Directors and of the Board of Statutory Auditors, the Board resolved on 26 September 2012 to amend arts. 15 and 23 of IMA’s By-laws.

The provisions aimed at ensuring the compliance with the aforementioned law will apply as from the first renewal of the Board of Directors and Board of Statutory Auditors for a period which will last for three consecutive mandates.

Art. 15 of the By-laws, as amended, sets out that the directors are appointed by the Shareholders’ Meeting on the basis of lists presented by the shareholders.

Such lists must be composed by a number of candidates equal to the maximum number of members of the Board of Directors, listed in numerical order, and must be filed at the Company’s registered office together with the documents evidencing the right to submit the list, at least twenty-five days prior to the Shareholders’ Meeting. Lists may only be presented by Shareholders which, alone or together with other shareholders, own at least 2.5% of the share capital as set out under the By-laws; Consob Executive Decision (*Determinazione Dirigenziale*) no. 13 of 24 January 2019 confirmed the lower threshold of 1.0%.

Each list must contain:

- a) candidates of both genders in order to ensure the compliance of the Board’s composition with the rules on gender balance ;

- b) at least two candidates who meet the independence requirements set out for statutory auditors under art. 148, paragraph 3, *TUF*.

Upon completion of the voting procedure, the candidates from the two lists which have obtained the highest number of votes shall be elected, provided that such number of votes exceeds half of the percentage of the share capital required for the submittal of the lists. Such number shall be calculated as follows, at the time when the voting procedure takes place:

- a) a number of directors equal to the total number of members of the Board of Directors as previously resolved by the Shareholders' Meeting, minus one, shall be elected from the list which has received the highest number of votes;
- b) one director, being the first candidate on the list, shall be elected from the list which has received the second highest number of votes.

Without prejudice to the rules on gender balance, each list must contain at least two candidates who meet the independence requirements set out for statutory auditors in art. 148, para. 3, *TUF*.

In the event the number of independent members of the Board of Directors requested under the applicable law is not reached pursuant to the procedure above:

- a) if there is a Majority List, the non-independent candidates (equal in number to the Independent Directors still to be elected) who were the last to be elected according to the numerical order set out under the Majority List, shall be replaced by the Independent Directors who were not elected from the same list according to the numerical order;
- b) in there is no Majority List, the non-independent candidates (equal in number to the Independent Directors still to be elected) who were the last to be elected according to the lists from which no Independent Directors were elected shall be replaced by the Independent Directors who were not elected from the same lists according to the numerical order;

Furthermore, in the event the above procedures leads to a Board of Directors not complying with the rules on gender balance, (i) if only one list was presented, the candidate of the most represented gender who was the last to be elected from such sole list shall be excluded, or (ii) in the event more than one list was presented, the candidate of the most represented gender from the Majority List shall be excluded and replaced by the candidate who was the first not to be elected from the same list but having a different gender. Such procedure shall operate until the number of elected candidates complies with the provisions on gender balance.

In the event the aforementioned procedure does not grant wholly or partially the gender balance, the Shareholders' Meeting shall add to the current composition of the Board of Directors the number of members which is needed for the majority to comply with the law.. In case no lists are presented the Board of Directors shall be appointed by the Shareholders' Meeting, with the majority set out by the law, without prejudice to the rules on gender balance currently applicable at the time.

In the event of termination of one or more Directors for any reason whatsoever, they shall be freely replaced in accordance with the law, provided that such replacement is performed in compliance with the rules on gender balance applicable from time to time. In the event of termination of a Director who was elected from the Minority List, the Director to be appointed in order to replace the former shall be chosen from the same Minority List, without prejudice to the rules on gender balance applicable from time to time. Being IMA listed on the STAR segment, all principles and criteria set out under articles 2 and 3 of the Code concerning the Board

composition and the role and tasks of both non-executive and independent directors shall be complied with.

On 27 April 2018, the Board of Directors of IMA was renewed and 11 members out of 14 members of the current board (equal to 78.57%) have been confirmed in the office. Furthermore, it is worth pointing out that the 3 delegated directors currently in charge (the Chief Executive Officer, Alberto Vacchi, Mr. Andrea Malagoli and Mr. Giovanni Pecchioli) had already been appointed as delegated directors during the previous three-year mandate. For this reason, no plans for the succession of executive directors was needed.

4.2. Composition (art. 123 bis, paragraphs 2 (d) and (d-bis), TUF)

The Board currently in charge, whose composition is summarised under Table 2 below, was appointed by the Shareholders' Meeting on 27 April 2018, on the basis of the list which was submitted by the controlling shareholder SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. and by the list which was submitted by the following shareholders: Aletti Gestielle SGR S.p.A. (manager of the fund Gestielle Pro Italia), Amundi Asset Management SGR.p.A. (manager of the funds Amundi Risparmio Italia, Amundi Sviluppo Italia, Amundi Valore Italia PIR, Amundi Dividendo Italia, Amundi Obiettivo Crescita 2022 Due, Amundi Obiettivo Crescita 2022, Amundi Obiettivo Risparmio 2022 Due, Amundi Obiettivo Risparmio 2022 Quattro, Amundi Obiettivo Risparmio 2022 Tre and Amundi Obiettivo Risparmio 2022), Arca Fondi S.G.R. S.p.A. (manager of the funds Arca Economia Reale Equity Italia and Arca Economia Reale Bilanciato Italia 30), Eurizon Capital SGR S.p.A. (manager of the funds Eurizon Progetto Italia 20, Eurizon Pir Italia 30, Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon Pir Italia Azioni, Eurizon Azioni Pmi Italia and Eurizon Progetto Italia 40), Eurizon Capital S.A. (manager of the funds Eurizon Fund - Equity Small Mid Cap Italy, Eurizon Fund - Equity Italy and Eurizon Fund - Equity Italy Smart Volatility), Fideuram Asset Management (Ireland) (manager of the fund Fonditalia Equity Italy), Fideuram Investimenti SGR S.p.A. (manager of the funds Piano Azioni Italia, Piano Bilanciato Italia 50 e Piano Bilanciato Italia 30), Interfund Sicav Interfund Equity Italy, Mediolanum Gestione Fondi (manager of the funds Mediolanum Flessibile futuro Italia and Mediolanum Flessibile Sviluppo Italia), Mediolanum International Funds - Challenge Funds - Challenge Italian Equity and Planetarium Funds Anthilia RED, holding overall 2.6465% of the Company's share capital. complessivamente detentori del 2,6465% del capitale sociale di IMA. The Shareholders' Meeting has also decided that the Board shall be composed of fourteen members, whose office will terminate upon the Shareholders' Meeting which shall be called in order to approve the financial statements for the fiscal year which will end on 31 December 2020.

Shareholders – with a majority equal to 60.727%– resolved to appoint a Board of Directors composed by fourteen members. The following directors were confirmed in the office: Marco Vacchi, Alberto Vacchi, Andrea Malagoli, Maria Carla Schiavina, Gianluca Vacchi, Luca Poggi, Paolo Frugoni,,

Stefano Cataudella, Giovanni Pecchioli, Rita Rolli, Valentina Volta; the following directors have been appointed for the first time: Alessandra Schiavina, Sonia Bonfiglioli and Cesare Conti.

The following candidates were on the list presented by SO.FI.M.A.: Marco Vacchi, Alberto Vacchi, Andrea Malagoli, Maria Carla Schiavina, Gianluca Vacchi, Luca Poggi, Valentina Volta, Rita Rolli, Paolo Frugoni, Stefano Cataudella, Giovanni Pecchioli, Alessandra Schiavina, Sonia Bonfiglioli and Maurizia Malagoli.

Upon Board renewal, the provisions on gender diversity have been applied. 35.71% of the Board is composed of women. Board members therefore comply to applicable laws and regulations.

No changes have occurred in the composition of the Board as from the end of the fiscal year 2018.

The Board, upon its meeting of 19 February 2019, resolved the adoption of the diversity policies set out under the applicable laws and regulations. The outcome of the following assessment concerning its own composition is the compliance of the composition of the Board to both IMA's needs and the applicable laws and regulations as far as age tiers, professional background and gender equality is concerned.

The Board currently in charge, as well, during its first meeting held on 27 April 2018, in the framework of the evaluation of the dimension and composition of the Board has resolved that the Board is suitable for the needs of the Company and is compliant with the applicable laws and regulations on age, professionalism and gender diversity.

Below the personal and professional characteristics of each director.

MARCO VACCHI

Born in Castenaso, Bologna, on 30 July 1937. Married, with one son. He has been involved in land reclamation, dredging and building projects. With IDICE S.p.A. he has participated in the construction of important public works (civil works at the Enel power stations at Caorso, Porto Tolle, Sermide and Brindisi; waterworks at Sacca Scardovari, Venice and along the Po river; road building works in stretches of the A1 and Salerno-Reggio Calabria motorways).

A high-standing entrepreneur, he has been decisive in the growth and development of IMA S.p.A. leading it from being a medium-sized industry to a world leader in its market sectors. He has been Chairman of the Board of Directors of IMA S.p.A. from 1982 to June 2007.

ALBERTO VACCHI

Born in Bologna on 17 February 1964. Married, with one son. He holds a degree in Law and is an entrepreneur; since 1996 he has been Managing Director of IMA S.p.A and since 2007 he has been Chairman. As a reference partner, he represents the ongoing commitment of the Vacchi family to the continuous growth of IMA S.p.A. on worldwide markets.

On 7 June 2011 he has been appointed President of Unindustria Bologna for the period 2011-2015. The General Assembly of Unindustria Bologna, held on 8 May 2015, has renewed its confidence in the President Alberto Vacchi, confirming him for the biennium 2015-2017 to guide the merger with Confindustria Modena and Unindustria Ferrara.

Confindustria Emilia was established on 3 May 2017. Alberto Vacchi was appointed President of Confindustria Emilia for the first two-year period.

He has been member of the Board of UCIMA (Italian Packaging Machinery Manufacturers' Association) for the period 2013-2016.

ANDREA MALAGOLI

He was born in Modena on 30 September 1965 and is married, with one daughter.

He holds a degree in Economic Sciences and he is an entrepreneur. He is Executive Director and Chief Operating Officer of IMA S.p.A. with specific powers for the Dairy & Food business. He has been CFO, General Manager of the Group and Director with specific powers for the pharmaceutical business. He has a deep knowledge of the Group's structure and internal organisation.

MARIA CARLA SCHIAVINA

Born in Bologna on 29 March 1965, she is married and has two children. She holds a degree in Business and Economics and is a businesswoman. She is a Non-Executive Director of IMA. She has developed a significant experience in the administrative management of Schiavina S.r.l..

GIANLUCA VACCHI

Born in Bologna on 5 August 1967, he graduated in Business and Economics from the University of Bologna in 1993. He is a businessman and financier, and has a significant shareholding in IMA's parent company. He has acted as IMA's investor relator from 1995 to 1997. Currently he operates in the private equity sector through the finance company First Investment S.p.A..

LUCA POGGI

Born in Bologna on 14 May 1961, he graduated in Business and Economics Studies from the University of Bologna in 1984. He is a registered accountant registered with the Register of Chartered Accountants and Tax Consultants since 1986 and with the Register of Freelance Journalists since 1995. He has a significant expertise on both tax and corporate law and he has long-standing collaborations with several academic publications. He is the senior partner of Poggi & Associati, a tax and financial consultants firm with a focus on corporate finance, taxation and M&A, advising, *inter alia*, leading industrial groups, multinational companies, . Since 2003, his activity as advisor also includes the structuring of private equity transactions.

PAOLO FRUGONI

Born in Rome on 24 April 1947, he graduated with merit in Medicine and Surgery in 1971 from the University of Padova. In 1976 he earned his Postgraduate Diploma in Oncology from the School of Medicine and Surgery of the University of Ferrara. From 1972 to 1977, he has acted as assistant professor at the Institute of Pathology at the University of Padova. In 1977, he held the oncology course at the School of Gynaecology Specialization at the University of Padova. In 1978, he earned his Postgraduate Diploma in Business Organisation (CUOA) from the School of Engineering of the University of Padova. From 1979 to 1998, he was a partner and director of Autofrance S.r.l., a Renault dealer in Padova. From 1982 to 1984, he was a director of FIRS S.p.A., an insurance company that at that time was listed on the Italian stock exchange. He is currently a partner and director of Immobiliare Indipendenza S.r.l., operating in the real estate business.

GIOVANNI PECCHIOLI

Born in Sesto Fiorentino (Firenze) on 4 June 1956, he is married and he has one daughter. Having studied technical subjects, since 1980 he has gained a significant experience as manager of pharmaceutical companies. He is manager of IMA since 1994.

VALENTINA VOLTA

Born in Bologna on 13th of June 1978, she graduated with merit in Economics from Bologna University and attended the "Owner President Management Program" at the Harvard Business School in Boston, USA.

Valentina Volta is the CEO of Datalogic S.p.A..

Before entering in Datalogic, she worked one year for Mediobanca as Credit Analyst and more than 10 years in Ferrero Group, covering different managerial positions in Sales and Marketing area, including the role of Country Marketing Manager for Belgium, Holland and Luxembourg with offices in Bruxelles.

Valentina Volta is also Chairman of Datalogic S.r.l., Datalogic IP Tech, member of the Board of Director of IMA S.p.A. and of the General Board of Confindustria.

RITA ROLLI

Born in Forlì on 10 May 1969, she graduated with honours in Law from the University of Bologna in 1993 and is now Full Professor of Private Law at the Law Department at the University of Bologna. She is the author of numerous scientific publications in the field of civil law and commercial and corporate law. She is the editor of important legal works and contributes to various prestigious legal reviews. She is a Court of Cassation Lawyer, enrolled at the Bar Association of Bologna, carrying out her professional duties in the field of civil and commercial law, both in- and out-of-court, and in arbitration proceedings; she also advises leading Italian companies, many of which listed on the Milan Stock Exchange.

STEFANO CATAUDELLA

Stefano Cataudella is an Italian citizen, born in Viterbo on 8 July 1949.

He is currently Full Professor of Ecology at the University of Rome “Tor Vergata”.

During his academic career, he has been involved in basic and applied research in biological problems related to aquatic food production (fisheries and aquaculture) from a bio-ecological, bio-economical and institutional point of view.

As part of his private activities, he has operated and/or coordinated development projects and businesses on all continents, with particular reference to the Mediterranean region, Africa, South America and Asia.

He is Chairman of the GFCM-FAO (art.14, FAO Constitution), to which the countries of the Mediterranean and the Black Sea adhere.

He has been a consultant to the EC, FAO, FAO Investment Centre, UNDP, a member of the CSA (Higher Council of Agriculture of the Italian Ministry of Agriculture, Food and Forestry), a member of the Scientific Committee (CTS) of MIUR (Ministry of Education, University and Research) and of the Biotechnology Committee of the Italian Ministry of the Environment.

He is the author of scientific publications in leading international journals in his fields of expertise.

He has been a consultant for IMA S.p.A. for the last 15 years, regularly advising the Chairman on bio-ecological issues in the food sector, in particular, sustainability and the model for communication on a scientific basis.

He is a member of IMA’s Strategy Committee, coordinating Corporate Communications, and assists the company in identifying the best development and growth strategy, closely following the issues related to food production, biological safety and food security and full application of the principles of Sustainable Development.

He has been a member of the Board of Directors of IMA Industries s.r.l..

ALESSANDRA SCHIAVINA

She was born in Bologna on 23 February 1964, she has completed her technical education with a diploma in accounting. She is currently in charge as non-executive director of IMA and has been active for years in the boards of directors of several companies in the construction industry.

SONIA BONFIGLIOLI

She was born in Bologna on 25 November 1965 and holds a degree in mechanical engineering. She grew up with the family business, in 1982 she became a member of the Board of Directors of the company, giving her contribution in the transaction of the Bonfiglioli Group towards an international framework. In 2015 she was awarded the title of *Cavaliere del Lavoro* because of her contribution in social, working and technological development and to the growth of made in Italy. In 2017 she was awarded the honorary citizenship of Forlì for the contribution given by the Bonfiglioli plant in Forlì to the local community. She holds the offices of either Chairman or member of several companies of the Bonfiglioli Group, as well as of board members of several other companies, some of which are listed in the Italian stock exchange.

CESARE CONTI

Cesare Conti is Professor of Corporate Finance at Bocconi University in Milan (Italy), where he lectures on “Corporate Finance”, “Financial Management & Markets” and “Corporate Financial Risk Management” in undergraduate, graduate and master courses, both in English and Italian.

Author of numerous publications on corporate finance, valuations and company financing; financial risk management; governance, management, reporting, valuation and representation of derivatives in financial statements; enterprise risk management.

Managing partner of Conti & Partners, where he is an independent financial consultant for companies, banks, public bodies and legal and professional firms in the field of corporate valuations and extraordinary corporate finance and financial risk management operations, with particular reference to mergers and acquisitions, new indebtedness, refinancing, debt restructuring and the execution, restructuring and closing of derivatives.

Technical consultant for the Court and adviser for companies, banks and public bodies in litigation on issues relating to company valuations, company loans, corporate finance, management of business risks and use of derivatives.

Independent Director of IMA S.p.A. (since 2018), Chairman of the Board of Statutory Auditors of DeLonghi S.p.A. (since 2016) and Statutory Auditor of Geasar, Olbia Airport (since 2012). He was a member of the Supervisory Board of Fitch Rating Italia (from 2014 to 2016) and Statutory Auditor of Meridiana Fly (from 2009 to 2012).

Enrolled in the Register of Chartered Accountants of Milan, in the Register of Auditors and in the Register of Judges’ Technical Consultants for the Court of Milan.

* * *

The CVs of the directors appointed by the Shareholders’ Meeting, together with the documents set out under IMA’s By-laws, have been filed at the Company’s registered office by the shareholder SO.FI.M.A. at the time when the relevant list for the appointment of directors was presented and have been simultaneously published on the Company’s website (www.ima.it), where they are available.

* * *

Upon 25 October 2006 and 29 October 2007 resolutions, the Board set out the general criteria concerning the maximum number of offices that a Board member may hold as a director or statutory auditor in other companies and still be considered compatible with the effective performance of his/her duties as a Director of IMA.

The Board resolutions on this matter can be summarised as follows:

- a) not more than three (3) offices as executive director may be held by IMA directors in companies listed on regulated markets, finance companies, banks, insurance companies or other large companies;
- b) not more than five (5) offices as non-executive or independent director may be held by IMA directors in companies listed on regulated markets;
- c) not more than six (6) offices as non-executive or independent director may be held by IMA directors in finance companies, banks, insurance companies or other large companies;
- d) not more than six (6) offices as statutory auditor or member of the supervisory board may be held by IMA directors in companies listed on regulated markets, finance companies, banks, insurance companies or other large companies;
- e) not more than twelve (12) of any of the offices mentioned in items a) to d) above may be held by IMA directors.

The limits set out under items a) to e) above do not include any office held as director or statutory auditor in any company of the IMA Group, whether a parent, subsidiary or associated company, or in any other small company, regardless of its business activity, as set forth under art. 144 *duodecies* of the Consob Issuers Regulations.

The current composition of the Board complies with the criteria set out above.

It is the Chairman's duty to ensure a constant flow of information to the directors, in order to make them aware of any changes – in both laws and regulations – that may affect the Company.

During 2018, the Board was renewed and therefore the Chairman has organized several initiatives aimed specifically at the newly elected directors, in order to allow them to get acquainted with the Company's legal and regulatory framework.

Such initiatives have been mainly focused on:

- a) the structure of IMA Group;
- b) the composition and functioning of IMA's corporate bodies;
- c) the structure of IMA's shareholding between the main shareholders;
- d) IMA's By-laws and Shareholders' Meeting regulations;
- e) IMA's Code of Ethics and Model pursuant to Legislative Decree no. 231 of 2001;
- f) Italian Consolidated Finance Act, with focus on rules set out for listed companies;
- g) the Code of Conduct.

In continuity with the above, the activity has continued during the Financial Year with a focus on business dynamics and on corporate affairs, as well as on main evolution of legal and regulatory framework concerning the Company and its area of business.

Further activities on both technical and production topics may be scheduled following the renewal of the Board, which will take place in 2019.

4.3. Role of the Board of Directors (art. 123 bis, paragraph 2 (d), TUF)

During the Financial Year, the Board has held ten (10) meetings, each of them with an average duration of 1h 30 min.

The attendance of Directors to Board meetings is summarised in Table 2 below.

The Corporate Accounting Documents Officer has often attended the Board meetings and also the meetings when the Board approved the Financial Annual Report as at 31 December 2017 and the Half Year Financial Report as at 30 June 2018.

On 25 January 2019 the Company issued a calendar with the dates of the five (5) Board meetings already scheduled for 2019.

As at March 2019 the Board of Directors had already met twice, including the meeting for the approval hereof.

The documents related to the agenda of the Board meetings are made available to members at least one day prior to the meeting, in order to ensure that they are adequately informed about the matters which will be discussed.

At Board meetings, the Chairman has encouraged all Directors to participate in the discussion, in order to ensure the fruitfulness of such meetings.

Pursuant to the 27 April 2018 resolution, the Board is the body entrusted with the task of laying down strategic and operational guidelines for IMA and IMA Group.

Furthermore, the entire Board is exclusively responsible for **(i)** the examination and approval of strategic, industrial and financial plans of the Company and of the Group, **(ii)** the periodic monitoring the implementation of plans mentioned under item (i), and **(iii)** the definition of IMA's corporate governance system and of the corporate structure of the Group.

The Model in force as at 31 December 2018 was approved by means of 14 March 2014 Board's resolution and amended in 2018; in order to update the Company's organizational, administrative and accounting structure, in the light of the amendments which have occurred in law, courts' statements and scholars' opinions concerning the Legislative Decree no. 231 of 2001.

The Board – acting with the cooperation of the internal audit organization and by examining its reports drafted of a six-month basis – has assessed the suitability of the organizational, administrative and accounting system of IMA's subsidiaries, with a special focus on internal audit and risk management.

The Board is entrusted with the task of examining and approving investment, financing and re-financing transactions carried out by the Company and by its subsidiaries.

* * *

At meetings – particularly those which were called in order to approve the accounting data – the Board assesses the Company's overall performance, comparing the results with the targets set out in the budget, taking also into account the information submitted by delegated bodies.

* * *

By means of the 27 April 2018 resolution, the Board resolved that any transaction carried out by the Company and its subsidiaries, having a significant importance under strategic, economic and

financial standpoint for the Company, shall be examined and approved exclusively by the entire Board.

Any transaction whose value is higher than fifteen (15) million euros is to be considered as a transaction having a significant importance under strategic, economic and financial standpoint.

* * *

On 27 April 2018, the Board carried out an assessment of the size, composition and functioning of the Board itself and of its sub-committees. such assessment was based on the evaluation of the following criteria:

- a) professional skills and expertise – also with reference to management activities – of the members of the bodies;
- b) seniority of the Directors in charge;
- c) age groups of the Directors in charge;
- d) gender balance.

The result of such assessment on dimension and functioning of the administrative body was positive: the evaluation of the Board stated that the criteria enlisted above ensure an adequate sense of judgement. The Board was not advised by any external consultants for the performance of such assessment.

The Board has not given the shareholders any indication about the kind of professionals which were deemed suitable as Directors before their appointment.

Pursuant to art. 15 of IMA's By-laws, the Directors are not required to comply with the non-compete obligation set out in art. 2390 c.c., unless otherwise resolved by the Shareholders' Meeting. The Shareholders' Meeting has not resolved for the Directors to comply with such non-compete obligation. Upon the Board meeting of 27 April 2018, all Board members – upon accepting the charge which was resolved by the shareholders' meeting held on the same date – have submitted the statement set out under item 1.C.4 of the Code of Conduct concerning any activities carried out in competition with the Company and undertook to notice any relevant change which may occur during the period of the office.

4.4. Delegated bodies

MANAGING DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS

Pursuant to art. 22 of IMA's By-laws, the Chairman of the Board of Directors is the Company's legal representative and has the relevant power to execute documents behalf of the Company.

Art. 17 of the By-laws sets forth that Board meetings shall be called by the Chairman of the Board of Directors.

The Chairman of the Board of Directors is also entrusted with the coordination of the activity of the Board and ensures that all directors are given adequate information about the items on the agenda.

On 27 April 2018, the Board resolved to appoint Alberto Vacchi as Managing Director and Chairman of the Board of Directors; he has been holding such offices since 26 June 2007.

On the same date, acting under a special mandate, the Board granted Alberto Vacchi all powers, to be exercised individually, for both ordinary and extraordinary administration of the Company, with the sole exception of the following rights and powers that he was not granted:

- a) the power to sell and purchase, exchange, confer, swap and transfer or receive – on any grounds or for any reason whatsoever – shares or quotas in companies associations or entities;
- b) the power to sell and purchase, exchange, confer, swap and transfer or receive – on any grounds (also on the basis of lease or rent) or for any reason whatsoever – any branches of business, businesses or business units of any kind;
- c) the power to sell and purchase, exchange, confer, swap and transfer or receive real estate in the form of either land or buildings, in whatever capacity and for whatever reason, including for lease if for more than nine years;
- d) the power to grant secured or unsecured guarantees and to grant surety agreements (*fideiussione*) or comfort letters, save for (in the case of surety agreements (*fideiussione*) or comfort letters) those granted to companies which are directly or indirectly controlled by the Company or associated to the Company;
- e) the power to grant usage rights (*diritti reali di godimento*) over the Company's assets.

Alberto Vacchi is to be considered as IMA Chief Executive Officer by virtue of the powers he was granted; no interlocking directorates issues currently occur, pursuant to criterium 2.C.5 of the Code.

The cumulation of offices by one single individual is the consequence of organisational requirements due to the strong concentration of the corporate structure.

HONORARY CHAIRMAN

On 26 June 2007 Marco Vacchi was appointed as IMA Honorary Chairman.

REPORTING TO THE BOARD

In accordance with art. 17 of IMA's By-laws, upon the Board meetings or by written communication to be submitted at least on a three-month basis, the Directors granted with delegated powers shall provide the Board and the Board of Statutory Auditors with the informative note set forth under art. 150 *TUF* and art. 2381 c.c..

Further, during the Financial Year the Delegated Bodies have reported – upon the first following meeting – to the Board on the activity which has been carried out by virtue of the powers they have been granted.

4.5. Other executive directors

After the Shareholders' Meeting of 27 April 2018, the two following members of the Board may be qualified as Executive Directors:

- a) Director Andrea Malagoli was granted with special powers in connection to the Dairy&Food business division;
- b) Director Giovanni Pecchioli was granted with special powers in connection to the Pharma business division.

4.6. Independent directors

By virtue of the renewal occurred on 27 April 2018, the following Directors are to be considered as Independent Directors:

- a) Paolo Frugoni;
- b) Rita Rolli;
- c) Sonia Bonfiglioli;
- d) Cesare Conti.

Under the procedure applied by the Board for the purpose of evaluating their possible independence, Directors are asked to declare their eligibility as Independent Director upon presentation of the list of candidates for the appointment of the new Board. Such eligibility declaration shall be verified by the Board at the first meeting held after their appointment.

Upon the first meeting after their appointment, on the basis of the information submitted by the Directors and of any other information available to the Company, the Board shall verify whether such Independent Directors – to be met the independence requirements set out in art. 147 *ter*, paragraph 4, *TUF* and in the Code of Conduct.

Upon the meeting of 27 April 2018, the Board verified that the Independent Directors – to be met the independence requirements set out in art. 147 *ter*, paragraph 4, *TUF* and in the Code of Conduct.

Such independence evaluation has been carried out in accordance with all criteria set out under the Code (i.e. arts. 3.C.1 and 3.C.2).

The Board informed the market of the result of such evaluation by means of 27 April 2018 press release.

The correct implementing of the criteria and procedures for Board of Directors members independence assessment have been monitored by the Board of Statutory Auditors as well, through the performance of the relevant evaluations. The Board of Statutory Auditors has reported on such activities to the Shareholders' Meeting which was called for the approval of the financial statements.

On 11 December 2018, the independent directors Committee held a meeting which was attended also by IMA's control bodies and which was not attended by non-independent directors.

During such meeting, (i) all members of every control body – both internal and external – of IMA and its Italian subsidiaries have met in view of the approval of 2017 financial statements, and (ii) the advisor entrusted with the task of updating the Model pursuant to Legislative Decree no. 231 of 2001 reported to the attendants about the work in progress.

Following such meeting, the Independent Directors Committee has met upon call served by the Lead Independent Director in order to discuss and assess the outcomes of the aforementioned meeting of control bodies.

The candidates to be appointment as Independent Directors have undertaken to promptly communicate any subsequent change in the information they had provided the company with, including any change that could affect their independence in any way whatsoever.

4.7. Lead Independent Director

In 2006 IMA's Board introduced the office of Lead Independent Director in order to allow the Company to comply with the relevant international best practices and to the principles and criteria set out by the Code, according to which the Lead Independent Director – acting as point of reference and coordination of any issues and requests submitted by the Independent Directors – is to be appointed in the event the Chairman is also appointed as Managing Director.

Paolo Frugoni was appointed as Lead Independent Director on 27 April 2012.

The Lead Independent Director – in accordance with the resolution dated 27 April 2018 – is entrusted with the following tasks:

- a) assisting the Chairman and Managing Director for the purpose of ensuring that all Directors receive complete and prompt information flows;
- b) power to call – both autonomously or upon request of any other Director and in any case at least once per year – the meeting of the Independent Directors, aimed at discussing an agenda which may be considered of interest in connection with the activity of the Board and with the support of the corporate structure.

In 2015, the Lead Independent Director has called the independent directors' meeting.

5. PROCESSING OF CORPORATE INFORMATION

On 12 August 2016 the Board approved a special procedure for the processing and communication of documents and information concerning IMA, with particular respect insider dealing information, upon previous revocation of the procedure adopted on 30 November 2006 and formerly amended on 14 November 2013. In 2018, IMA began the amending of such procedure.

IMA paid particular attention in this procedure to regulating the disclosure of price-sensitive information to third parties.

This procedure is an integral part of the Organizational Model drafted pursuant to Legislative Decree no. 231 of 2001 and may be found on the Company's webpage at <http://www.ima.it>.

Company communications follow the principles set out in the Stock Exchange Instructions.

6. BOARD SUB-COMMITTEES (ART. 123 BIS, PARAGRAPH 2 (D), TUF)

Even though the Code recommends listed issuers to appoint a Remuneration Committee, an Internal Control and Risk Committee and a Nominations Committee, it also sets out that their functions may be delegated to a lower number of committees, provided that they comply with the rules concerning their composition indicated in each case by the Code.

Until 27 April 2018, IMA had entrusted the powers of all committees under the Code to a sole body, named *Comitato Unico* responsible for control, risks, remunerations and nominations.

Following the Board renewal of 27 April 2018, on 15 May 2018 the Board resolved the creation of:

- a control and risk committee pursuant to article 7 of the Code, also approving the regulation thereof (hereinafter, ***Internal Control and Risk Committee***); and

- an appointment and remunerations committee, pursuant to articles 5 and 6 of the Code, also approving the regulation thereof (hereinafter, ***Appointment and Remunerations Committee***).

Considering the composition of IMA's Board, the Directors were of the opinion that a single committee may be sufficient for the achievement of the objectives set out under the Code of Conduct.

7. APPOINTMENT COMMITTEE

8. REMUNERATION COMMITTEE

As anticipated above, the Board has formed the Appointment and Remunerations Committee, entrusted with the tasks concerning both nominations and remunerations.

COMPOSITION AND FUNCTIONING OF THE APPOINTMENT AND REMUNERATIONS COMMITTEE

Information on the composition and functioning of the Appointment and Remuneration Committee is provided under Table 2.

The Appointment and Remuneration Committee was created on 15 May 2018 and is currently composed of three (3) independent directors:

- a) Paolo Frugoni; (Independent Director)
- b) Rita Rolli (Independent Director);
- c) Maria Carla Schiavina. (Non-Executive Director).

On 15 May 2018, the independent director Paolo Frugoni was appointed as Chairman of the Appointment and Remuneration Committee, with the task to coordinate the activity thereof; Maria Carla Schiavina was appointed as Vice-President. On the same day, the regulation thereof was approved.

Every Appointment and Remuneration Committee's meeting is reported into minutes and the Chairman reports to the Board upon its first following meeting.

In 2018, the Appointment and Remunerations Committee held three (3) meetings for an overall average duration of 1h 30 minutes.

Two (2) extra meetings of the *Comitato Unico* are to be calculated, where issues concerning remunerations and nominations were discussed.

As from its creation, the Appointment and Remunerations Committee scheduled to meet at least three (3) times in 2018.

Members' attendance to the meetings is summarized under Table 2 below.

On 27 April 2018, the Board resolved that Paolo Frugoni, Maria Carla Schiavina and Rita Rolli have adequate experience in accounting and finance, (experience which is required for at least one member of the Appointment and Remuneration Committee according to the principles set out under the Code).

Board members shall prevent from attending to meetings of the Appointment and Remunerations Committee where their respective remunerations will be discussed.

The Chairman of the Board of Statutory Auditors or a serving Statutory Auditor have attended to all meetings of the Appointment and Remunerations Committee.

FUNCTIONS OF THE APPOINTMENT AND REMUNERATIONS COMMITTEE

The Appointment and Remuneration Committee is entrusted with the following tasks:

- a) delivery to the Board of proposal to define the general policy on remuneration of (i) executive directors, (ii) directors with special powers, and (iii) managers with strategic offices;
 - b) periodic evaluation on adequacy, overall consistency and effective implementing of the general policy on remuneration of (i) executive directors, (ii) directors with special powers, and (iii) managers with strategic offices, also using the information provided by the delegated directors and, therefore, submittal to the Board of relevant proposals
 - c) delivery to the Board of proposals on (i) the remuneration of executive directors and of other directors holding strategic offices, and (ii) performance targets connected to the variable component of the remuneration mentioned under item (i) above, as well as monitoring the implementing of decisions passed by the Board of directors through the verification of the reaching of the performance targets;
 - d) delivery to the Board of opinions concerning the dimension and composition of the Board and delivery of recommendations on individuals whose professional background would be suitable in the Board, as well as on topics under articles 1.C.3 and 1.C.4 of the Code;
-
- e) delivery to the Board of proposals of possible candidates for the office of Board member in the event a co-option should be needed for the replacement of an independent director.

The Appointment and Remunerations Committee was not supported by any external advisors with respect to the tasks it has been entrusted with.

The Appointment and Remunerations Committee has carried out, *inter alia*, the following activities in 2018:

- a) appointment of its Chairman and Vice-Chairman as well as approval of its regulation;
- b) analysis of the new version of the Code;
- c) scheduling of the meetings for the drafting of this Report;
- d) evaluation of the dimension and composition of the Board and delivery thereto of the opinion requested by the Code [art. 5.C.1];
- e) compliance to law of 12 July 2011 no. 120 on diversity protection in governance and control bodies of listed companies.

During the Financial Year, no detrimental facts which may have generated any risks whatsoever were communicated to the Board and therefore the Appointment and Remunerations Committee has not performed any sort of investigation activity.

During its activities, the Appointment and Remunerations Committee had direct access to all information and functions needed to carry out its duties and did not deem it necessary to be supported by external advisors.

9. INTERNAL CONTROL AND RISK COMMITTEE

As anticipated above, the Board has formed the Internal Control and Risk Committee, entrusted with the tasks concerning both internal control and risks.

COMPOSITION AND FUNCTIONING OF THE INTERNAL CONTROL AND RISK COMMITTEE

The Internal Risk and Control Committee is composed by the following three independent, non-executive directors:

- d) Rita Rolli (Independent Director);
- e) Cesare Conti (Independent Director);
- f) Sonia Bonfiglioli (Independent Director).

On 6 June 2018, the independent director Rita Rolli was appointed as Chairman of the Internal Control and Risk Committee, with the task to coordinate the activity thereof; Cesare Conti was appointed as Vice-President. On the same day, the regulation thereof was approved. Every Internal Control and Risk Committee meeting is reported into minutes and the Chairman reports to the Board upon its first following meeting. During the Financial Year, the Internal Control and Risk Committee has held six (6) meetings, for an average duration of 1h and 40 minutes each.

Two (2) extra meetings of the *Comitato Unico* are to be calculated, where issues concerning remunerations and nominations were discussed.

During the meeting of 14 March 2018, the Internal Control and Risk Committee has resolved to schedule at least one (1) meeting during the Financial Year.

Information on the composition and functioning of this Internal Control and Risk Committee is provided under Table 2.

On 27 April 2018, the Board assessed that Rita Rolli, Cesare Conti and Sonia Bonfiglioli had adequate experience in accounting and finance, (experience which is required for at least one member of the Internal Control and Risk Committee according to the principles set out under the Code).

Some meetings of the Internal Control and Risk Committee were attended, upon special invitation by its members, by the Chairman of the Supervisory Board, by the head of IMA's internal audit and by the Corporate Accounting Documents Officer.

All meetings were attended by the Chairman of the Board of Statutory Auditors or by a Serving Auditor..

FUNCTIONS OF THE INTERNAL CONTROL AND RISK COMMITTEE

The Internal Control and Risk Committee is entrusted with the following tasks:

- a) delivery to the Board of a preliminary opinion on the tasks which the Board has been entrusted with on internal control and risk management; such opinion is not to be considered as binding in the event of appointment, revocation, remuneration and financial resources of the head of internal audit (Mr. Claudio Rizzi has been head of internal audit since 2012);
- b) evaluation, together with the Corporate Accounting Documents Officer the correct use of accounting principles and their uniformity – within the Group – for the purpose of drafting the consolidated financial statements;
- c) delivery to the Board of Directors of an opinion on special aspects related to the identification of the main corporate risks and, if needed, amendment of the perimeter of the area assessed by the internal audit organization;
- d) evaluation of the periodic reports concerning the internal control and risk management system;
- e) monitoring the autonomy, adequacy, effectiveness and effectivity of internal audit organization;
- f) reporting to the Board – at least on a six-month basis, upon approval of both annual and half-year Financial Report – on the activity carried out, as well as on the adequacy of the internal control and risk management system;
- g) evaluation of related-party transactions, pursuant to the applicable procedure, issuing the related opinion.

The Internal Control and Risk Committee has not requested the internal audit function to perform any special check on operative areas, since no need of such request occurred in 2018.

The Internal Control and Risk Committee was not supported by any external advisors with respect to the tasks it has been entrusted with.

In 2018, the Internal Control and Risk Committee has performed, *inter alia*, the following activities:

- a) appointment of its Chairman and Vice-Chairman, as well as approval of its own regulation;
- b) meeting with the head of internal audit for assessment of compliance with the audit plan for 2018;
- c) examination of the organigram and scheduling of the meetings with the strategic managers;
- d) site visit of the plants of some subsidiaries of the Company;
- e) evaluation of the Model under Legislative Decree no. 231 of 2001; and of the amendment proposals thereof;
- f) assessment of the compliance to GDPR;
- g) evaluation of the proposed amendment to the procedure on management and communication of documents and information concerning IMA, with special reference to privileged information;

- h) assessment of relationships between IMA and its own related parties;
- i) evaluation of the possibility to create a central risk manager.

During the Financial Year, no detrimental facts which may have generated any risks whatsoever were communicated to the Board and therefore the Internal Control and Risk Committee has not performed any sort of investigation activity.

During its activities, the Internal Control and Risk Committee had direct access to all information and functions needed to carry out its duties and did not deem it necessary to be supported by external advisors.

10. DIRECTORS REMUNERATION - COMPENSATION OF DIRECTORS IN CASE OF RESIGNATION, DISMISSAL OR TERMINATION OF EMPLOYMENT FOLLOWING TO A TAKEOVER BID (ART. 123 BIS, PARAGRAPH 1 (I), TUF)

For this information, please refer to the Remuneration Report drafted in compliance with art. 123 *ter TUF* and published separately.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system is a set of rules, procedures and organisational structures designed to ensure that the business is run in a fair and healthy manner that is consistent with its stated objectives, through a suitable process of identification, measurement, management and monitoring of the main risks.

The Board has set out the main guidelines for the internal control and risk management system.

Details of the main characteristics of the risk management and internal control system relating to financial information (also at a consolidated level) are set out under Annex 1.

11.1. Executive director in charge of the internal control and risk management system

On 30 November 2006, IMA's Board appointed Alberto Vacchi as the Executive Director in charge of the internal control and risk management system.

* * *

The Executive Director in charge of the internal control and risk management system has:

- a) indicated the Company's main risks and submitted them to the Board for review;
- b) implemented the guidelines set out by the Board and carried out the planning, design, implementation and management of the internal control system, verifying its overall adequacy, efficiency and effectiveness;
- c) implemented such system according to the operating conditions and the legal and regulatory framework.

During the course of the year no problems or critical issues – that needed to be reported by the Executive Director to the Committee for appropriate action – occurred.

11.2. Head of internal audit

Claudio Rizzi was appointed by the Board as the head of internal audit – until revocation – upon proposal of the Executive Director.

With exclusive reference to such office, Mr. Rizzi responds directly to Executive Director Mr. Alberto Vacchi.

Mr. Rizzi, with reference to his office as Head of Quality & Compliance Service, responds directly to the General Manager (Services).

* * *

The head of internal audit shall assess – both on a continuous basis and with reference to special needs and in compliance with international standards – the functioning and the suitability of the internal control and risk management system, by means of the audit plan based on an analysis and prioritization of main risks structured process and approved by the Board through the Internal Control and Risk Committee.

The head of internal audit has direct access to all information needed to carry out his duties.

During the year, the head of internal audit reported on his activity to the Internal Control and Risk Committee and to the Board of Statutory Auditors at the meetings held on 17 July 2018 and 16 October 2018.

The head of internal audit drafts reports (on a six-month basis) which contain information on its own activity, on the way such activity is carried out and on the compliance of the plans set out for risk containment; such reports are periodically submitted to the Internal Control and Risk Committee.

During 2018, no material events – which would have made necessary to promptly draft a report by the head of internal audit – have occurred. In the performance of his duties, the head of internal audit has assessed the reliability of the information systems including accounting systems.

In order to face the amount of work and the increase of the complexity of the IMA Group structure, the Company has granted the head of Internal Audit a structure composed of eighteen (18) full-time employees for the carrying out of the planned controls and of a fund for future expenses of euro 10,000 for such activities.

The main activities carried out during the year by the head of internal audit consisted of:

- a) compliance with the administrative and accounting procedures set out in Law 262/05 regarding the Company and its main subsidiaries, each of them for the relevant procedures included in the scoping;
- b) compliance with the organisational procedures set out in Legislative Decree 231/01 regarding IMA;
- c) compliance with the organisational procedures set out in Legislative Decree 231/01 regarding the Company and its main subsidiaries;
- d) the activities and controls carried out by the Company and its main subsidiaries to manage the risks indicated by the Executive Director in charge of the internal control system, as indicated in paragraph 11.1 above.

Although specific financial and human resources were made available to internal audit to carry out its duties, the related remuneration proposed by the director in charge of the internal control and risk management system with the approval of the Committee and the Board of Statutory Auditors was not resolved by the Board; as in the past, this Internal Control and Risk Committee was set by the Human Resources Department.

* * *

The internal audit function has not been outsourced.

11.3. Organisation model pursuant to Legislative Decree no. 231 of 2001

At a meeting held on 27 March 2008, the Board adopted the organisation, management and control model in compliance to Legislative Decree 231 of 2001 concerning the administrative responsibility of entities and companies (hereinafter, **Model**).

The Model consists of a general part and several special parts; essentially, the general part explains IMA's corporate governance structure, the way that the Supervisory Board is established and functions, along with an explanation of the system of sanctions.

The Model is aimed at avoiding the following categories of crimes, which are better described in the specific sections thereof:

- (i) crimes against the public administration (*pubblica amministrazione*);
- (ii) corporate crimes;
- (iii) markets abuses;
- (iv) IT-related crimes;
- (v) crimes against individuals;
- (vi) crimes against industry, trade and intellectual property;
- (vii) rules concerning workplace hygiene and safety;
- (viii) transnational networks;
- (ix) handling of stolen goods, laundering and auto-laundering of illegal money, goods or proceeds;
- (x) employment of citizens of countries whose stay is unauthorized;
- (xi) environmental crimes;
- (xii) racism and xenophobia.

Following the adoption of the Model, several internal procedures have been introduced or modified.

At the same time when the Model was adopted, a Code of Ethics was adopted and a Supervisory Board (hereinafter, **Supervisory Board**) was appointed.

The Supervisory Board is composed of:

- a) Gerardo Diamanti, chairman: an independent professional with an economics background and particular experience in cash flow management, having specific knowledge and experience of the Company;
- b) Andrea Pascerini: a lawyer specialized in criminal law and white collar crimes;
- c) Claudio Rizzi: head of group internal audit.

The Supervisory Board is responsible for **(i)** supervision of the Model, **(ii)** monitoring compliance and taking care of updates, and **(iii)** reporting periodically to the Board of Directors.

The members of this body do not hold any positions in the Company and satisfy the requirements of autonomy and independence needed to perform their duties.

The Supervisory Board complies with the autonomy and independence requirements in order to carry out the entrusted tasks.

Over the years, the Model has been updated several times, in order to comply with the amendments of the applicable laws and regulations.

The Model which was effective as at 31 December 2018 was approved by Board resolution of 14 March 2017 and subsequently updated on 14 November 2018, following a deep update carried out in order to adapt the Model both to (i) the organisation, administrative and accounting structure of the Company, and (ii) evolution in laws and regulations, courts' judgements and scholars' opinions which have occurred, including the whistleblowing procedure.

The Model and the Code of Ethics are available on the Company's website: <http://www.ima.it>.

The dynamic of the IMA Group gradually tends to implementing, also by the subsidiaries, of organization models – which are basically independent yet coordinated with IMA's Model – pursuant to the Legislative Decree 231 of 2001:

- a) Corazza S.p.A. (model adopted on 23 April 2012);
- b) GIMA S.p.A. (model adopted on 23 April 2012);
- c) CO.MA.DI.S. S.p.A. (model adopted on 13 March 2013);
- d) GIMA TT S.p.A. (model adopted on 27 April 2015);
- e) Revisioni Industriali s.r.l. (model adopted on 13 March 2014);
- f) Pharmasiena Service s.r.l. (model adopted on 27 April 2015);
- g) Ilapak Italia S.p.A. (model adopted on 2 March 2018).

11.4. Independent auditors

Having taken note of the favourable opinion of the Board of Statutory Auditors, the Shareholders' Meeting of 29 April 2013 approved the appointment of EY S.p.A., formerly Reconta Ernst & Young S.p.A., to audit IMA's separate and consolidated financial statements for the nine-year period from 2013 to 2021.

11.5. Corporate Accounting Documents Officer

On 28 January 2010, the Board appointed Sergio Marzo, the Group's Chief Financial Officer, as the corporate accounting documents officer, in accordance with art. 25 of the By-laws and having heard the opinion of the Board of Statutory Auditors (hereinafter, *Corporate Accounting Documents Officer*).

Sergio Marzo meets all requirements set out in art. 25 of the By-laws: at least three years' experience in administration, finance and control and the integrity required to directors.

The Corporate Accounting Documents Officer has all the powers necessary to carry out his duties, including an expense budget.

The Corporate Accounting Documents Officer shall report twice a year to the Board on the work performed.

11.6. Coordination between internal control and risk management system

The officers involved in the internal control and risk management system Servingly meet in order to facilitate the exchange of information that may be useful in carrying out their respective duties.

12. DIRECTORS' INTERESTS AND RELATED PARTIES TRANSACTIONS

On 1 December 2010, in compliance with the provisions of Consob Related Party Regulations, the Board approved a special procedure, which was prepared taking into consideration the instructions subsequently provided by Consob on how to apply the new rules with communication DEM/10078683 of 24 September 2010.

The purpose of such procedure, which is published on the Company's website (www.ima.it), is to set out the approach to be taken in the identification, review and approval of any transactions with related parties to be carried out by IMA or its subsidiaries, in order to ensure their transparency and fairness from both a substantial and procedural point of view.

Related parties transactions are identified in accordance with the guidelines of Consob regulations.

Material related parties transactions are submitted for prior approval by the Board, which in turn has to obtain the consent of a special committee composed only of independent directors; such committee can receive any support from external advisors – which also shall meet the independence requirements – in order to issue its opinion.

The related parties transactions carried out during the Financial Year are commented on in the notes to the financial statements.

The Board of Directors has not adopted any special operating solutions to facilitate the identification and an adequate processing of those situations in which a director has a personal interest or represents third parties interests.

13. APPOINTMENT OF STATUTORY AUDITORS

The By-laws expressly provide for Statutory Auditors to be appointed on the basis of voting lists according to current law and regulations in order to ensure gender balance pursuant to article 148,

paragraph 1 *bis*, TUF and to ensure that the minority shareholders may appoint one serving Statutory Auditor and one alternate Statutory Auditor.

Lists are to be presented in two sections: one for the appointment of the Serving Auditors and the other for the appointment of the Alternate Auditors. The lists have to contain a number of candidates that does not exceed the number of Auditors to be elected, listed in numerical order; the first two candidates in both sections of the lists must be of different genders. Each candidate can only appear on one list; otherwise, they will be ineligible for election.

Lists can only be presented by Shareholders who alone or together with other shareholders own at least 2.5% of the shares with voting rights, or any different threshold as may be established by legal and regulatory provisions.

With this respect to Executive Decision (*Determinazione Dirigenziale*) no. 13 of 24 January 2019 confirmed the lower threshold of 1.0%.

The lists, undersigned by the shareholders which present them, must be filed at the Company's registered offices at least twenty-five days prior to the date set for the Shareholders' Meeting at first calling.

At the time of presenting the list, the total percentage ownership held must be specified, together with the other documentation required by applicable law and regulations. To give evidence that they own the minimum shareholding necessary to present voting lists, shareholders have to file, along with the list, suitable documentation showing the identity of the shareholder or shareholders presenting the list, the percentage interest held at the time of filing the list and the certification that demonstrates ownership of the shares at the date on which the list was filed at the Company's head office. This certification can be submitted later, provided that such filing is carried out at least twenty-one days prior to the date set for the Shareholders' Meeting at first calling.

By the twenty-fifth day prior to the date of the Shareholders' Meeting at first calling, each list shall include the CV of each individual candidate, who also have to declare that they accept their nomination and confirm, under their own responsibility, that there is no incompatibility nor reasons why they should not be elected, and that they meet the eligibility requirements set out by the law and by the By-laws.

In the event that, by the above deadline, only one list has been filed or only lists submitted by shareholders who under the current rules are deemed to be related to each other, then other lists can be presented within the next three days. In this case, the above threshold shall be reduced by 50%.

The first two candidates in the respective sections of the list that obtains the largest number of votes (hereinafter, **Majority List**) are elected as Serving Auditors and Alternate Auditors, together with the first candidate in the respective sections of the list obtaining the second largest number of votes (hereinafter, **Minority List**) that is not related in any way, directly or indirectly, to the Shareholders who presented or voted for the Majority List.

In the event of a tied vote between two or more lists, the oldest candidates will be elected as Auditors to the extent of the places available, without prejudice to the current rules at the time on gender balance. The candidate taken from the Minority List is entitled to Chairmanship.

Without prejudice to the current rules at the time on gender balance, in the event a Serving Auditor has to be replaced, the first Alternate Auditor belonging to the same list as the one leaving office shall take over until the next Shareholders' Meeting is held.

Without prejudice to the current rules at the time on gender balance, if the Chairman has to be replaced, the Alternate Auditor taken from the Minority List takes over the Chair until the next

Shareholders' Meeting.

Without prejudice to the current rules at the time on gender balance, if only one list was presented or if there is a tied vote between two or more lists, the Chairman shall be replaced by the next Serving Auditor belonging to the same list as the Chairman leaving office until the next Shareholders' Meeting.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (ART. 123 BIS, PARAGRAPHS 2 (D) AND (D-BIS), TUF)

Information on the composition and functioning of the Board of Statutory Auditors is provided under Table 3.

The Board of Statutory Auditors in office as at the date of this Report was appointed by the Shareholders' Meeting held on 27 April 2016 and will remain in charge until the Shareholders' Meeting called to approve the financial statements at 31 December 2018.

Such appointments were made following the submittal of two lists.

The first was submitted by the majority shareholder, SO.FI.M.A., twenty-five days prior to the Shareholders' Meeting held at the Company's head office and published on its website (www.ima.it), containing the overall percentage interest held in the Company's share capital and the proposed nominations.

Since no other lists had been submitted, the Company has communicated to the market the possibility, for minority shareholders, to submit a list within the term of twenty-two days prior to the meeting, pursuant to article 144 *sexies*, paragraph 5, of Consob Issuers Regulations.

In such framework, certain shareholders owning shares equal to 0.535% of IMA's share capital submitted a list containing the proposal to elect a serving auditor and an alternate auditor.

Both proposal were accompanied by the required information on the personal and professional characteristics of each candidate, as well as a declaration from each of them confirming that they met the legal requirements for eligibility and, if elected, were willing to accept the appointment.

The Shareholders with a majority of 77.750% of the ordinary shares with voting rights on their own behalf or by proxy resolved by a majority to appoint the Board of Statutory Auditors with the following percentages:

- Majority list: 78.127%;
- Minority list: 20.793%.

In particular (i) Mr Francesco Schiavone Panni took over the office of Chairman of the Board of Statutory Auditors, previously held by Mr Giacomo Giovanardi, and (ii) Ms Elena Spagnol took over the office of alternate auditor, previously held by Mr Vittorio Coraducci.

The Board of Statutory Auditors met eleven (11) times during the Financial Year. Each meeting had an average duration of 1h and 37 minutes.

The Board of Statutory Auditors, which is required to meet at least every ninety days, has already met twice as at March 2019.

The composition of Board of Statutory Auditors has not changed since the end of 2018.

Upon specific assessment of 15 February 2018, the Board has stated that the Board of Statutory Auditors (which will be in charge until the date of the shareholders' meeting which will be called to approve the financial statements as at 31 December 2018) is suitable for the needs of IMA and is compliant with the applicable laws and regulations concerning gender, age and professional background of the members thereof; thus the approval and implementing of the requested diversity policy (hereinafter, **Policy**) to a Board meeting which will be held after the renewal of the Board of Statutory Auditors.

Below the personal and professional characteristics of each statutory auditor.

FRANCESCO SCHIAVONE PANNI

Serving Auditor, he was born in Roma on 16 April 1954, he is registered with the Register of Chartered Accountants and Tax Consultants and on the Register of Auditors. He has been running his own firm since 1983, acting as corporate, business and fiscal advisor, as well as accounting and administration advisor. He is Board member, statutory auditor and supervisory board member mostly in European groups of companies, operating in several areas of business among which, mainly, banking and energy.

ROBERTA DE SIMONE

Serving Auditor, she was born in Forlì on 16 November 1964, she is registered with the Register of Chartered Accountants and Tax Consultants of Forlì and on the Register of Auditors. She has been working as a Chartered Accountant since 1994, advising businesses on fiscal and corporate matters and insolvency proceedings. She is member of the Board of Statutory Auditors in several industrial companies.

RICCARDO PINZA

Serving Auditor, he was born in Forlì on 2 October 1969, he is registered with the Register of Lawyers in Forlì. Since 1996 he has been carrying on the legal profession together with his father, Roberto Pinza, who founded the Studio Legale Pinza, and various colleagues, specialising in civil, corporate and labour law. He is a member of several boards of directors.

ELENA SPAGNOL

Alternate Auditor, she was born in Torino on 14 February 1968 and she is registered with the Register of Chartered Accountants and Tax Consultants and on the Register of Auditors. She has been working from 1995 to 2011 with E&Y law and fiscal firm, also acting as associate, focusing on accounting, fiscal and corporate advisory, preparing and evaluating financial statements and tax declaration, opinion drafting on fiscal issues for listed and non-listed companies. She has been working at Studio Associato Piazza since 2016.

GIOVANNA BOLOGNESE

Alternate Auditor, she was born in Vasto (CH) on 9 October 1960 and she is registered with the Register of Chartered Accountants and Tax Consultants and on the Register of Auditors, as well as with the register of Independent Technical Consultants (*Consulente Tecnico d'Ufficio*) and of the register of over-indebtedness-crisis managers (*compositore della crisi da sovraindebitamento*). She has worked as a chartered accountant since 1987 and advises companies and legal entities on both tax and corporate issues; she acts as Insolvency Practitioner (*Curatore Fallimentare* o *Commissario*) in several bankruptcy proceedings and she collaborates with the *Tribunale Penale* and the *Procura della Repubblica* of Bologna and Modena as independent advisor on corporate and bankruptcy crimes. She is currently member of the Board of Statutory Auditors in several top leading industrial companies in Emilia-Romagna.

FEDERICO FERRACINI

Alternate Auditor, he was born in Bologna on 9 December 1968 and he is registered with the Register of Chartered Accountants and Tax Consultants and on the Register of Auditors. He advises on corporate and tax law and on mergers and acquisitions. He is currently chairman or Serving auditor in the board of statutory auditors in companies belonging to several business sectors.

* * *

The CVs of the statutory auditors currently in office, together with the documentation required by the By-laws, were deposited at the Company's head office by the shareholder SO.FI.M.A. at the time the list for the appointment of statutory auditors was presented and simultaneously published on the Company's website (www.ima.it), where they are still available.

* * *

The Board of Statutory Auditors has periodically assessed the independence of its members, applying all of the same criteria set out in the Code, with reference to the independence of directors.

* * *

Upon the first assessment following the appointment of the Statutory Auditors currently in charge, occurred on 27 April 2016, the Board has made available to the public the result of the independence assessment by means of a press release.

* * *

The Statutory Auditors have attended the initiatives concerning IMA's structure attended by the Directors, as set out under paragraph 4.2 above.

In particular, the chairman of the Board of Statutory Auditors, Mr. Francesco Schiavone Panni, has taken part in a training event concerning tasks and liabilities of members of governance and control bodies of listed companies, with a focus on **(i)** directors and statutory auditors liability, **(ii)** relationship with investors, and **(iii)** corporate information.

* * *

The remuneration for the members of the Board of Statutory Auditors is euro 23,000 per year for the Chairman and euro 16,000 per year for each serving auditor.

Such amounts were decided by the general shareholders' meeting by means of 27 April 2016 resolution.

* * *

The Company has not set out a procedure that obliges Statutory Auditors who, directly or on behalf of third parties, have an interest in any transaction carried out by of IMA to inform the other auditors and the Chairman of the Board of Directors, promptly and in detail, about the nature, terms, origin and extent of their own interest.

In any case, the Statutory Auditors shall communicate if they have an interest, also for the purpose of complying with the rules of professional ethics that they have to comply with.

* * *

The Board of Statutory Auditors has monitored the adequacy of (i) the internal control system and (ii) the administrative and accounting system, as well as the reliability of the latter in presenting a true and fair view of the Company's situation and results.

The Board of Statutory Auditors has monitored the independence of external auditors, assessing both their compliance with the applicable law and the nature and amount of non-audit services provided to IMA and its subsidiaries.

* * *

The Board of Statutory Auditors has coordinated its activity with the activity of the Internal Control and Risk Committee and with the Nominations and Remunerations Committee through the attendance by its Chairman to all meetings of the Internal Control and Risk Committee and with the Nominations and Remunerations Committee; some Serving Auditors have attended as well some of the Internal Control and Risk Committee and with the Nominations and Remunerations Committee meetings.

The Board of Statutory Auditors has also liaised with the other bodies and functions in charge of the internal control and risk management system, especially with the Corporate Accounting Documents Officer, the Internal Auditing organization and the Supervisory Board.

15. INVESTOR RELATIONS

In compliance with the regulations on shareholder relations, as provided by criterium 9.C.1, IMA has created a section on its own website (<http://www.ima.it>), easily identifiable and accessible, where shareholders can find information on the Company, that may them in the exercise of their rights in full awareness of the situation.

Press releases and notices published in the press with regard to the exercise of rights pertaining to the securities that it has issued, documentation about Shareholders' Meetings and any other documentation generally made available to the public in such circumstances are published by IMA on its own website.

An officer has been appointed as Investor Relations Manager, in order to deal with both Italian and international financial community and with all shareholders.

This office is currently held by Andrea Baldani.

16. SHAREHOLDERS' MEETINGS

The clause of the By-laws that regulates participation at Shareholders' Meetings provides as follows:

“Art. 10

Shareholders' Meetings are called by the directors by means of a notice published as required by law on the Company's website, as well as by any other means required by current regulations. Shareholders' Meetings can be held in the municipality where the Company has its head office, or elsewhere in Italy, the European Union or Switzerland.

The notice of calling can give a date for a second calling or, in the case of extraordinary meetings, a third calling, if the earlier ones do not achieve a quorum; if no alternative dates are given, the second or third calling must be intimated, respectively, within thirty days of the first or second calling.

Requests to add items to the agenda of Shareholders' Meetings can be presented by shareholders as foreseen by law.

Entitlement to attend shareholders' meetings and exercise voting rights is regulated by current law. It is up to the Chairman of the Shareholders' Meeting to verify that participants have the right to attend and that proxies are valid".

Concerning the initiatives aimed at reducing any burdens which may make difficult or expensive to take part in the Shareholders' Meeting and to exercise the voting right, art. 11 of IMA's By-laws provides as follows:

"[...] The attendants at Stockholders' Meetings may be present in different physical locations, either adjoining or distant, that are connected via telecommunications, in compliance with the plenary method, in good faith and with equal treatment for all stockholders.

In such case:

- 1. the notice of call shall indicate the places where participants may attend with audio/video support provided by the company; the meeting is deemed to be held at the place where both the chairman and the individual who is drafting the minutes are physically present;*
- 2. the chairman of the meeting – if need be assisted by the office of presidency or by appointed officers who are physically present at the places linked by means of audio/video support – must (i) ensure that the meeting has been regularly called, (ii) identify the attendants and certify their rights, (iii) regulate the meeting and certify the results of the voting;*
- 3. the individual who is drafting the minutes must be able to adequately follow the events that occur during the meeting;*
- 4. the attendants must be able to take part in the discussion and in the simultaneous voting on the items on the agenda".*

* * *

Meetings are called in compliance with the applicable law and regulations. In 2016, the controlling shareholders have not submitted to the meeting any issue which the Board had not specifically proposed.

* * *

The Shareholders' Meeting held on 5 May 2000 approved the regulations for the shareholders' meetings (available on the Company's website: <http://www.ima.it>) which govern the orderly and functional conduct of the Company's shareholders' meetings, also aiming at encouraging the widest participation by shareholders.

The Regulations for Shareholders' Meetings were amended by the Extraordinary Shareholders' Meeting held on 28 January 2011, in order to implement the requirements set out in Legislative Decree 27 2010.

The right of every shareholder to speak and vote on the items under the agenda is set out in art. 9 of the Regulations for Shareholders' Meetings: *"Individuals entitled to exercise the voting right or their representatives are entitled to speak on each of the items on the agenda. Individuals who are willing to speak must submit a written request to the Chairman, indicating the matter to be discussed, after the Chairman has read the agenda and before he closes the discussion on the*

matter on which the attendant is willing to speak. In the event two requests are submitted at the same time, the Chairman shall give the floor to the applicants following the alphabetical order of their surnames. The Chairman may authorize the submittal of request to speak by the show of hands; in this case, the Chairman shall give the floor to applicants following the alphabetical order of their surnames [...]".

* * *

The Board has reported on its activity to the Shareholders' Meeting in its report on operations and answered shareholders' requests for clarification.

The Board has made every effort to circulate the documentation concerning the items on the agenda to ensure that shareholders receive sufficient information to enable them to take informed decisions on the items that had to be decided by the Shareholders' Meeting.

The shareholders' general meeting held on 27 April 2018 was attended, further to the CEO Alberto Vacchi – acting as chairman of the meeting – by ten Board members.

* * *

Upon ordinary shareholders' meeting held on 27 April 2018, the CEO Alberto Vacchi has reported on remuneration for the purpose of allowing the exercise of right of vote on such issue, in compliance with art. 123 *ter* TUF, with special focus on the section of the report concerning the corporate policy on remuneration of Directors and Managers in charge with strategic offices.

* * *

Concerning the market capitalisation of IMA's shares, it is worth noting that the price went from Euro 67.40 at the beginning of 2018 to Euro 54.40 at the end of 2018.

17. OTHER ASPECTS OF CORPORATE GOVERNANCE

The Board has approved a procedure (available on the Company's website <http://www.ima.it>) concerning transactions in the Company's shares either directly or through intermediaries by relevant persons and parties closely related to them, by stipulating black-out periods during which these individuals are not able to buy or sell shares at specific times of the year.

The approved procedure was then subject to a number of updates that were authorised by the Board of Directors, most recently on 14 November 2013.

During the Financial Year, three (3) transactions were reported and the filing thereof can be seen on the Company's website <http://www.ima.it>.

18. CHANGES SINCE THE END OF THE YEAR

On 15 February 2019, the Board has passed and approved and updated version of the following:

- a) related-parties transactions procedure, available for download on the Company's website (www.ima.it);
- b) identification and management of privileged information and implementing provisions thereof;

- c) internal dealing procedure, available for download on the Company's website (www.ima.it).

Furthermore, on 15 March 2019, the Board has approved an amendment to the Model, for the purpose of implementing the new provisions set out under law no. 3 of 9 January 2019, published in the Official Journal no. 13 of 16 January 2019 and in force as from 31 January 2019.

19. CONSIDERATIONS ON THE LETTER DATED 21 DECEMBER 2018 SENT BY THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The Chairman of the Board of Directors, upon the meeting of approval hereof, has acknowledged the report issued by the Corporate Governance Committee concerning compliance until the end of the Financial Year and has communicated the will to continue the performance of the activities aimed at the compliance to the Code as wished by the Corporate Governance Committee.

Ozzano dell'Emilia (Bologna), 15 March 2019

On behalf of the Board of Directors

The Chairman

Alberto Vacchi

TABLE 1**OWNERSHIP STRUCTURE INFORMATION**

STRUCTURE OF SHAREHOLDING				
	NO. OF SHARES	% OF SHARE CAPITAL	LISTED	RIGHTS AND OBLIGATIONS
Ordinary Shares	39.260.000	100%	STAR Segment of Borsa Italiana S.p.A.	Right to vote at both Ordinary and Extraordinary Shareholders' Meeting
SIGNIFICANT SHAREHOLDINGS				
DECLARANT	DIRECT SHAREHOLDER		PERCENTAGE OF ORDINARY SHARE CAPITAL	PERCENTAGE OF VOTING SHARE CAPITAL
Lopam Fin S.p.A.	SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A..		56.789%	56.789%

TABLE 2

STRUCTURE OF THE BOARD OF DIRECTORS AND ITS SUB-COMMITTEES¹

BOARD OF DIRECTORS													INTERNAL CONTROL AND RISK COMM.		NOMIN. AND REMUN. COMM.		SOLE COMM.	
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTMENT *	OFFICE HELD FROM	OFFICE HELD UNTIL APPROVAL OF F.S. AS AT	LIST **	EXEC.	NON EXEC.	INDEP. UNDER CODE	INDEP. UNDER TUF	(*)	NO. OTHER OFFICES ***	(*)	(**)	(*)	(**)	(*)	**
Honorary Chairman	Vacchi Marco	1937	04/01/82	27/04/18	31/12/20	M		•			10/10	3						
Chairman and Managing Director (•◊)	Vacchi Alberto	1964	09/11/88	27/04/18	31/12/20	M	•				10/10	5						
Director	Schiavina Maria Carla	1965	09/11/88	27/04/18	31/12/20	M		•			9/10	6			3/3	M	1/1	M

1

The symbols listed below must be entered in the column "Position":

• This symbol indicates the director in charge of the system of internal control and risk management.

◊ This symbol indicates the main person responsible for managing the issuer (Chief Executive Officer or CEO).

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

* The date when each director was first appointed means the date on which the director was appointed as a member of the issuer's Board of Directors for the very first time.

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

*** This column indicates the number of positions held as director or statutory auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or other large companies. The Report on Corporate Governance explains the positions in full.

(*) This column indicates the directors' attendance at meetings of the Board of Directors and Committees (indicate the number of meetings attended with respect to the total number of meetings that could have been attended; e.g. 6/8; 8/8 etc.).

(**)_ This column indicates the director's position on the Committee: "C": chairman; "M": member.

BOARD OF DIRECTORS													INTERNAL CONTROL AND RISK COMM.		NOMIN. AND REMUN. COMM.		SOLE COMM.	
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTMENT *	OFFICE HELD FROM	OFFICE HELD UNTIL APPROVAL OF F.S. AS AT	LIST **	EXEC.	NON EXEC.	INDEP. UNDER CODE	INDEP. UNDER TUF	(*)	NO. OTHER OFFICES ***	(*)	(**)	(*)	(**)	(*)	**
Director	Schiavina Alessandra	1964	27/04/18	27/04/18	31/12/20	M		•			6/6	7						
Director	Vacchi Gianluca	1967	14/12/93	27/04/18	31/12/20	M		•			7/10	5						
Director	Malagoli Andrea	1965	16/05/96	27/04/18	31/12/20	M	•				9/10	1						
Director	Poggi Luca	1961	16/05/96	27/04/18	31/12/20	M		•			10/10	7						
Director	Conti Cesare	1963	27/04/18	27/04/18	31/12/20	m		•	•	•	6/6	2	6/6	M				
Director	Bonfiglioli Sonia	1963	27/04/18	27/04/18	31/12/20	M		•	•	•	6/6	6	6/6	M				
Director	Frugoni Paolo	1947	15/12/11	27/04/18	31/12/20	M		•	•	•	9/10	N/A			3/3	P	1/1	P
Director	Volta Valentina	1978	28/04/15	27/04/18	31/12/20	M		•			9/10	1						
Director	Cataudella Stefano	1949	28/04/15	27/04/18	31/12/20	M		•			10/10	N/A						
Director	Pecchioli Giovanni	1956	28/04/15	27/04/18	31/12/20	M	•				8/10	N/A						

BOARD OF DIRECTORS													INTERNAL CONTROL AND RISK COMM.		NOMIN. AND REMUN. COMM.		SOLE COMM.	
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTMENT *	OFFICE HELD FROM	OFFICE HELD UNTIL APPROVAL OF F.S. AS AT	LIST **	EXEC.	NON EXEC.	INDEP. UNDER CODE	INDEP. UNDER TUF	(*)	NO. OTHER OFFICES ***	(*)	(**)	(*)	(**)	(*)	**
Director	Rolli Rita	1969	28/04/15	27/04/18	31/12/20	M		•	•	•	8/10	1	6/6	P	3/3	M		
DIRECTORS WHO CEASED FROM THE OFFICE IN THE FINANCIAL YEAR																		
Director	Riello Pierantonio	1959	28/04/09	28/04/15	31/12/17	M		•			2/3	N/A					0/1	M
Director	Galliani Marco	1954	28/04/09	28/04/15	31/12/17	M		•			3/3	N/A						
NUMBER OF BOARD MEETINGS IN 2018											BoD: 10		IC/RC: 6		NRC: 3		S.C.: 1	
<i>QUORUM</i> REQUESTED FOR THE PRESENTATION OF LISTS FOR LATEST ELECTIONS: 1.0%																		

TABLE 3
STRUCTURE OF THE BOARD OF STATUTORY AUDITORS²

BOARD OF STATUTORY AUDITORS									
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTED *	POSITION HELD FROM	POSITION HELD UNTIL	LIST **	INDEPENDENT UNDER CODE	ATTENDANCE AT MEETINGS ***	NO. OTHER POSITIONS ****
Chairman	Francesco Schiavone Panni	1954	2016	27/04/16	F.S as at 31/12/18	m	•	11/11	15
Serving Auditor	Roberta De Simone	1964	2013	24/04/13	F.S as at 31/12/18	M	•	11/11	6
Serving Auditor	Riccardo Pinza	1969	2010	28/04/10	F.S as at 31/12/18	M	•	11/11	N/A
Alternate Auditor	Elena Spagnol	1968	2016	27/04/16	F.S as at 31/12/18	m	•		
Alternate Auditor	Federico Ferracini	1968	2010	28/04/10	F.S as at 31/12/18	M	•		
Alternate Auditor	Giovanna Bolognese	1960	2013	24/04/13	F.S as at 31/12/18	M	•		
NUMBER OF MEETINGS IN 2017: 11									
QUORUM REQUESTED FOR THE PRESENTATION OF LISTS FOR LATEST ELECTIONS: 1.0%									

²

* The date when each auditor was first appointed means the date on which the auditor was appointed as a member of the issuer's Board of Statutory Auditors for the very first time.

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

*** This column indicates the auditors' attendance at meetings of the Board of Statutory Auditors (indicate the number of meetings attended with respect to the total number of meetings that could have been attended; e.g. 6/8; 8/8 etc.).

**** This column indicates the number of positions held as director or statutory auditor by the person involved pursuant to art. 148-bis TUF and the related implementation provisions contained in Consob's Issuers' Regulations. A complete list of appointments is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Issuers Regulations.

ANNEX 1

MAIN FEATURES OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE PROCESSING OF FINANCIAL INFORMATION PURSUANT TO ART. 123 *BIS*, PARAGRAPH 2 (B), TUF

1. INTRODUCTION

The internal control and risk management system in relation to the processing of financial information (hereinafter, *System*) is a process implemented by IMA and extended to its main subsidiaries. It is aimed at providing reasonable assurance that the following objectives shall be achieved in connection with the financial disclosures made at consolidated level:

- a) credibility, *i.e.* the information shall be accurate and shall comply with the applicable accounting standards, laws and regulations;
- b) accuracy, *i.e.* the information shall be neutral and accurate, being free from any distortions intended to influence any users' decisions in order to obtain a given result;
- c) reliability, *i.e.* the information shall be complete and clear enough to **(i)** allow investors to take informed decisions and **(ii)** facilitate the understanding of complex aspects of the business without being excessive or superfluous;
- d) timely, *i.e.* it shall respect the official deadlines for publication.

The Board, directors and other designated officers of the Company are responsible for carrying out the process which constitutes the System.

An integral part of such process is the system for managing risks related to financial information, which therefore constitutes an integral and fundamental element of the System itself.

The System has been designed and implemented by taking into account the requirements set out in Law 262/2005 (Savings Law), using international best practices as a point of reference.

In particular, the planning, implementing, monitoring and periodic evaluation of the System is based on the standard known as "CoSO Report – Internal Control Integrated Framework".

Such model has been adopted in reference to financial information objectives and includes the following components:

- a) control environment;
- b) risk identification and assessment;
- c) control activities;
- d) information and communication;
- e) monitoring.

The control environment is defined and circulated within the Group by the Parent Company, *i.e.* by the Board, the internal control functions and top level managers. It is implemented by means of a Corporate Governance structure, the definition of a policy and organisational structure, the

granting of powers and responsibilities, and by the Company’s own philosophy and management style. The Code of Ethics and Organisational Model issued by the Board are the basis of the control environment.

The risk identification and assessment process is implemented at both entity and process level. The assessment is carried out according to common guidelines that each company can adapt according its own environment and particular risks.

Control activities are generally conducted at entity level by the corporate functions responsible for managing the various processes and risk areas (process owners), except for activities linked to the consolidation process which are controlled directly by the Parent Company.

The information required for the performance of operational, control and monitoring activities is mainly circulated on the operational information system, which forms an integral part of the System. The associated controls are named ITGC - Information Technologies General Controls.

Communication between business units, management and the control bodies regarding the System and related activities takes place through channels that are pre-determined by procedural systems and Group governance.

The System is monitored periodically, at intervals linked to the dates on which financial information is published. Monitoring covers both the assessment of the control plan implemented to counter the risks that have been identified, and the effective application and operation of these controls.

The effectiveness of the control design is evaluated on a yearly basis; such process assesses whether the control design should grant a reasonable assurance that material errors will be timely avoided, identified and corrected.

2. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS RELATING TO THE PROCESSING OF FINANCIAL INFORMATION

a) Phases of the internal control and risk management system relating to the processing of financial information

Below the phases and the reports concerning the CoSO Report – Internal Control Integrated Framework.:

PHASES OF THE IMA SYSTEM	COMPONENT OF THE “CO SO REPORT – INTERNAL CONTROL INTEGRATED FRAMEWORK”
Identification of risks relating to financial information	Risk assessment
Assessment of risks relating to financial information	Risk assessment
Identification of controls over the risks identified	Control activities

PHASES OF THE IMA SYSTEM	COMPONENT OF THE “CO SO REPORT – INTERNAL CONTROL INTEGRATED FRAMEWORK”
Assessment of controls over the risks identified	Monitoring
Reporting to management on the adequacy and effectiveness of the System.	Information and communication

Below a description of guidelines, criteria and main characteristics of the phases which compose the IMA System, with reference to their design, implementing and monitoring.

IDENTIFICATION OF RISKS RELATING TO FINANCIAL INFORMATION

In accordance with the requirements set out in Law no. 262/2005 (“Savings Act”), the scoping process at entity and process level with reference to the potential impact on financial information is based on data taken from the consolidated financial statements.

The first phase consists of determining the overall materiality level, which in line with international best practice is set at 5% of pre-tax profits. On a prudential basis, a planning materiality of 75% of the overall amount is then calculated.

Planning materiality identifies the significant accounts or aggregates included in the scope of the exercise.

In this way, the scope includes all of the internal processes that contribute to these significant accounts.

The second phase determines the income statement and balance sheet drivers needed to identify the entities to be included in the scope, known as Material Control Units.

The drivers used are, respectively, the consolidated net revenues and consolidated net capital employed. The Material Control Units are those Group companies that have at least one driver that is more than 5% of the consolidated figure.

The target is to cover not less than 70% of the consolidated value for each of every indicted driver; as a consequence, in case the Material Control Units don’t reach cumulatively such coverage threshold, further group companies shall be included in the scoping perimeter accordingly to their own drivers’ value and of their relevance with reference to global business and strategies. Furthermore, the budget data of the following year are analysed for the purpose of identifying any potential deviation from the results of the scoping procedure on the consolidated financial statement.

Scoping of the System is followed by an identification of the risks related to financial information.

This phase considers the risks related to hypothetical events which, if they occurred, could compromise achievement of the System’s objectives, i.e. the credibility, accuracy, reliability and timeliness of financial information.

At the level of processes and transactions (revenue, expenditure, inventory, treasury, payroll, property tax and financial reporting), these objectives reflect those that are generally classifiable according to the CAV(IA)R model as follows:

- a) completeness of transactions and data;
- b) accuracy of transactions and data;
- c) validity of transactions and data;
- d) restriction of access to transactions and data.

In line with the reference model, these risks are identified by using international best practices, which are analysed and then adapted to reflect the specific nature of the Group and each Group company. This analysis results in an overall definition of the risks which then undergo a further assessment.

The potential risks taken into consideration may derive from unintentional errors or fraudulent actions, as they can both have a significant effect on financial information.

ASSESSMENT OF RISKS RELATING TO FINANCIAL INFORMATION

The assessment of risks relating to financial information is initially a test of "inherent risk", *i.e.* it does not take into account the controls performed for the purpose of mitigating the risks.

The importance of each risk is assessed with reference to the following aspects:

- a) the extent to which the adverse event (or risk) is likely to affect the objectives established for financial information;
- b) the probability of the adverse event occurring.

These aspects are quantified and normalised using qualitative measurements, based on analyses carried out internally by the pertinent functions, taking into account any historic data that may be available.

The results of these two dimensions are cross-checked to obtain a final quantitative assessment of the inherent risks.

Companies which enter in *scoping* for the first time are analysed with reference to both processes and special monitoring. The risk ranking applied is the highest.

IDENTIFICATION OF CONTROLS OVER THE RISKS IDENTIFIED

With reference to the inherent risks which have been identified, the subsequent analysis involves identifying the type of controls and their characteristics in order to construct a System that will reduce the risk to an acceptable level (residual risk).

The analysis is based on a mapping of the controls currently in place, and their correlation with the individual risks, and an evaluation of the extent to which the controls are able to detect each of these risks.

The detection threshold refers to the extent to which a control is able to highlight or prevent the occurrence of an adverse event (risk), and is assessed by taking into account various factors and intrinsic characteristics, such as:

- a) whether the control is carried out prior to, or simultaneously with, the activities under examination (preventive controls), or ex-post (detection controls);
- b) the complexity of execution of the control;
- c) the level of automation of the control (manual or automatic);
- d) level of coverage of the control (100% or sample check).

The overall detection threshold of each risk, thanks to the controls defined within the System, is then cross-checked against an assessment of the inherent risk, in order to quantify the residual risk (*i.e.* the risk that is left after the System controls have been implemented).

The residual risks are then compared against the level of risk that is acceptable to the Company, in order to determine the adequacy of the System as it stands.

The result of this phase is the final definition of the System used by the Company in order to guarantee its objectives in relation to financial information.

ASSESSMENT OF CONTROLS OVER THE RISKS IDENTIFIED:

Once a year, the Company shall assess the System in terms of both design and effectiveness.

This periodic assessment of the design, *i.e.* the capacity of each control to mitigate the residual risk to an acceptable level, is carried out mainly by considering any potential changes which may have occurred since the previous assessment, that could affect the appropriateness of the controls. Such changes may include changes in the Company's organisation, market, products, internal procedures, laws and regulations, personnel, management, technological developments, IT upgrades, restructuring programmes or decentralisation.

The periodic assessment of the System's effectiveness, *i.e.* checks to ensure that the controls are effectively carried out in accordance with the design, is carried out by means of an internal audit plan.

The control techniques used during the audit mainly consist of analysis of collected data, an examination of the findings of the System controls, the monitoring of IT programs (re-performance, data analysis, observation).

The sampling of the information being audited is decided according to the best practices (either statistic or upon discretion) of the reference model.

ITGC controls have cross-cutting nature and cover method, organization, software and infrastructure aspects. The projects of such controls, as those performed at both process and company level, are described, analysed and evaluated for the purpose of an effectiveness assessment.

REPORTING TO MANAGEMENT ON THE ADEQUACY AND EFFECTIVENESS OF THE SYSTEM:

The Company has introduced specific information flows in order to keep both management and internal control bodies periodically updated about the System's adequacy and effectiveness.

Such reports are issued every six months, at the same time as publication of the main financial reports, i.e. the half-year and annual consolidated financial statements.

These reports contain details of the scheduled, ongoing and completed assessments of the System, and a description of the findings pertaining to financial information, including any shortcomings.

The process of evaluating the shortcomings and any corrective action to be taken (or already taken) involves management, depending on the gravity of the situation. The effectiveness of any action taken to eliminate the shortcoming will then be evaluated.

Extra reports or additional controls can be introduced at the specific request of management or the competent internal control bodies.

b) Roles and functions involved

In order to guarantee the effective functioning of the System, the Company has defined the responsibilities associated with each phase of risk management and design, implementation, effectiveness and monitoring of controls.

Below such responsibilities.

PHASE OR ACTIVITY	PRIMARY RESPONSIBILITY	SUPPORT
Scoping of the System and the risks relating to financial information	Managing Director Corporate Accounting Documents Officer	Internal Audit
Assessment of risks relating to financial information	Managing Director Corporate Accounting Documents Officer	Internal Audit
Identification of controls to counter the risks identified, and assessment of residual risk	Corporate Accounting Documents Officer	Internal Audit
Execution of controls to counter the risks identified	Directors responsible for each business unit	N/A
Assessment of control plan to counter the risks identified	Managing Director	Corporate Accounting Documents Officer
Assessment of effectiveness of controls to counter the risks identified	Managing Director	Internal Audit
Reporting to management on the System's adequacy and effectiveness	Corporate Accounting Documents Officer	N/A

PHASE OR ACTIVITY	PRIMARY RESPONSIBILITY	SUPPORT
Reporting to internal audit functions on the System's adequacy and effectiveness	Internal Audit	N/A

APPENDIX 2

COMPANIES LISTED ON REGULATED MARKETS BOTH IN ITALY AND ABROAD, FINANCIAL COMPANIES, BANKS, INSURANCE COMPANIES OR LARGE COMPANIES IN WHICH IMA'S DIRECTORS HAVE BEEN APPOINTED AS A DIRECTOR OR STATUTORY AUDITOR

DIRECTOR	COMPANY	OFFICE
MARCO VACCHI	Alva S.p.A.	Managing Director
	Lopam Fin S.p.A.	Chairman
	SO.FI.M.A. S.p.A.	Chairman
ALBERTO VACCHI	Alva S.p.A.	Chairman
	SO.FI.M.A. S.p.A.	Director
	NEMO Investimenti S.r.l.	Chairman
GIANLUCA VACCHI	SO.FI.M.A. S.p.A.	Director
	Eleven Finanziaria S.r.l.	Sole Director
	Cofiva S.A.	Director
	Boato International S.p.A.	Chairman
	First Investments S.p.A.	Sole Director
MALAGOLI ANDREA	SO.FI.M.A. S.p.A.	Director
LUCA POGGI	Finanziaria del Vetro	Director
	Boato International S.p.A.	Director
	Fariniundici S.p.A.	Director
	SO.FI.M.A. S.p.A.	Director
	Atopbi S.p.A.	Director
	Atop S.p.A.	Director
	Stator S.p.A.	Director
MARIA CARLA SCHIAVINA	Eredi Schiavina S.r.l.	Chairman
	Immobiliare Schiavina S.r.l.	Vice-Chairman

	Murazzi Ecostruttura-Mecos S.r.l.	Vice-Chairman
	MEFA S.r.l.	Sole Director
	SO.FI.M.A. S.p.A.	Director
	QUADRICA S.r.l.	Chairman
ALESSANDRA SCHIAVINA	AMCA s.r.l.	Sole Director
	C.ALLA s.r.l.	Sole Director
	Eredi Schiavina Enrico s.r.l.	Vice President
	Immobiliare Schiavina s.r.l.	Director – Legal Representative
	Leed Building Soc. Consortile a R.L.	Vice President
	Murazzi Ecostruttura-Mecos s.r.l.	Director
	Quadrica s.r.l.	Director
CESARE CONTI	DeLonghi S.p.A.	Chairman of the Board of Statutory Auditors
	Aeroporto Olbia Costa Smeralda Geasar S.p.A.	Member of the Board of Statutory Auditors
VALENTINA VOLTA	Datalogic S.p.A.	Managing Director
RITA ROLLI	TREVI – Finanziaria Industriale S.p.A.	Independent Director