



**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.**

**[www.ima.it](http://www.ima.it)**

**Financial Year of reference: 2016**

**Date of approval of the Report: 14 March 2017**

## Index

1.	Company profile .....	5
2.	Information on the ownership structure (art. 123 <i>bis</i> , paragraph 1, <i>TUF</i> ) .....	5
a)	Structure of the share capital (art. 123 <i>bis</i> , 1 (a), <i>TUF</i> ) .....	5
b)	Restrictions on the transfer of securities (art. 123 <i>bis</i> , 1 (b), <i>TUF</i> ) .....	5
c)	Significant shareholdings (art. 123 <i>bis</i> , 1 (c), <i>TUF</i> ) .....	5
d)	Securities that entitle holders to special rights (art. 123 <i>bis</i> , 1 (d), <i>TUF</i> ) .....	5
e)	Shares held by employees: exercise of voting rights (art. 123 <i>bis</i> , 1 (e), <i>TUF</i> ) ..	5
f)	Restrictions on voting rights (art. 123 <i>bis</i> , 1 (f), <i>TUF</i> ) .....	5
g)	Shareholders' agreements (art. 123 <i>bis</i> , 1 (g), <i>TUF</i> ) .....	5
h)	Change of control clauses (art. 123 <i>bis</i> , 1 (h), <i>TUF</i> ) and provisions under IMA's Articles of Association on takeover bids (art. 104, 1 <i>bis</i> and 104 <i>bis</i> , 1, <i>TUF</i> ) ....	6
i)	Power to increase the share capital and authorisations to purchase treasury shares (art. 123 <i>bis</i> , 1 (m), <i>TUF</i> ).....	6
j)	Management and coordination activity (art. 2497 c.c.) .....	7
3.	Compliance .....	7
4.	Board of Directors.....	7
4.1.	Appointment and Replacement (art. 123 <i>bis</i> , paragraph 1 (l), <i>TUF</i> ) .....	7
4.2.	Composition (art. 123 <i>bis</i> , paragraph 2 (d), <i>TUF</i> ) .....	9
4.3.	Role of the Board of Directors (art. 123 <i>bis</i> , paragraph 2 (d), <i>TUF</i> ) .....	13
4.4.	Delegated bodies.....	14
4.5.	Other executive directors .....	15
4.6.	Independent directors .....	15
4.7.	Lead Independent Director .....	16
5.	Processing of corporate information .....	16
6.	Board sub-committees (art. 123 <i>bis</i> , paragraph 2 (d), <i>TUF</i> ) .....	17
7.	Nominations committee .....	17
8.	Remuneration committee.....	17
9.	Internal control and risk committee.....	17
10.	Directors Remuneration - Compensation of directors in case of resignation, dismissal or termination of employment following to a takeover bid (art. 123 <i>bis</i> , paragraph 1 (i), <i>TUF</i> ) .....	19
11.	Internal control and risk management system .....	19
11.1.	Executive director in charge of the internal control and risk management system .....	19
11.2.	Head of internal audit .....	20
11.3.	Organisation model pursuant to Legislative Decree no. 231 of 2001.....	21
11.4.	Independent auditors.....	22
11.5.	Corporate Accounting Documents Officer.....	22
11.6.	Coordination between internal control and risk management system.....	22
12.	Directors' interests and related parties transactions .....	23
13.	Appointment of the statutory auditors .....	23

14.	Composition and functioning of the board of statutory auditors (art. 123 <i>bis</i> , paragraph 2 (d), TUF) .....	24
15.	Investor Relations.....	27
16.	Shareholders' meetings .....	27
17.	Other aspects of corporate governance.....	29
18.	Changes since the end of the year .....	29
TABLE 1	.....	30
	Ownership structure information.....	30
TABLE 2	.....	31
	Structure of the board of directors and its sub-committees .....	31
TABLE 3	.....	33
	Structure of the board of statutory auditors .....	33
ANNEX 1	.....	35
	Main features of the existing risk management and internal control systems in relation to the processing of financial information pursuant to art. 123 <i>bis</i> , paragraph 2 (b), TUF .....	35
APPENDIX 2	.....	40
	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.....	40

## **DEFINITIONS**

### **CODE/CODE OF CONDUCT**

The Code of Conduct for Listed Companies issued in July 2015 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. 16191 of 2007 (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.

## **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 2016 is equal to euro 20,415,200 divided into no. 39,260,000 ordinary shares with a par value of 0.52 euros 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 (MTA) held by Borsa Italiana S.p.A.

The Company has not issued any other financial instruments which may entitle anybody to subscribe for newly-issued shares.

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

### **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.

Shares which entitle to increased voting rights and the issuance of shares which entitle to multiple vote are not considered under IMA's Articles of Association.

### **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 provided.

### **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 Articles of Association 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 Articles of Association.

**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 5c.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 2016 the Shareholders' Meeting authorized the purchase of treasury shares pursuant to art. 2357 c.c., granting such power for a period of twelve 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.

The Shareholders' Meeting authorized the purchase and/or the sale and/or the disposal of treasury shares in order to grant the Company with liquidity support and in general to the implementing of buyback programmes aimed at giving value to the security for the shareholders' benefit.

During such period no transactions on treasury shares were made by the Company.

As at the date of this report, IMA holds 5,500 treasury shares, as the result of several purchase transactions carried out by means of previous authorisations by the Shareholders' Meeting.

## **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 management or coordination influence of the latter, as described under pursuant to arts. 2497 *et seq.* c.c..

In compliance with art. 37, paragraph 2, 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..

It is worth pointing out 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*") is contained in the remuneration report published in accordance with 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 Articles of Association, 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.

On 9 July 2015 the Corporate Governance Committee approved come amendments to the Code in order to, *inter alia*, **(i)** implement several principles on corporate social responsibility, **(ii)** strengthen the legality and transparency corporate system, and **(iii)** confirm several recommendations set out by the Committee by means of its yearly report issued on 11 December 2014.

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 2017.

The Code of Conduct is available at the following website: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice/2015.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 Articles of Association 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 Articles of Association.

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 Articles of Association, 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 Articles of Association; Consob Resolution no. 19499 of 28 January 2016 (by means of Resolution no. 19856 of 25 January 2017, Consob confirmed the percentage of 1% for 2017).

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 of the screen-traded market (MTA) held by Borsa Italiana S.p.A, 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 28 April 2015, the Board of Directors of IMA was renewed and 9 members out of 13 members of the current board (equal to 69,23%) have been confirmed in the office. Furthermore, it is worth pointing out that 2 delegated directors out of 3 currently in charge (the Chief Executive Officer, Alberto Vacchi, and Mr. Andrea Malagoli) 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, paragraph 2 (d), TUF)**

The current Board, composed as shown under Table 2, was appointed by the Shareholders' Meeting on 28 April 2015 on the basis of a single list presented by SO.FI.M.A., the majority shareholder.

The Shareholders' Meeting has also decided that the Board shall be composed of thirteen 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 2017.

Shareholders – with a majority equal to 65.746%– resolved to appoint a Board of Directors composed by thirteen members. The following directors were confirmed in the office: Marco Vacchi, Alberto Vacchi, Andrea Malagoli, Maria Carla Schiavina, Gianluca Vacchi, Luca Poggi, Paolo Frugoni, Marco Galliani, Pierantonio Riello.

The following ones were elected for the first time: Stefano Cataudella, Giovanni Pecchioli, Rita Rolli and Valentina Volta. Upon renewal of the Board, all provisions on gender equality were complied with; therefore, the genders represented in the Board meet the relevant provisions.

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, Marco Galliani, Pierantonio Riello, Alessandra Schiavina and Maurizia Malagoli.

No changes have occurred in the composition of the Board as from the end of the fiscal year 2016. 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.

Member of the national and regional Executive Committee of Confindustria. 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. 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.

#### **PIERANTONIO RIELLO**

Born in Venice on 31 October 1959. After Having studied economics, he began his business career in the field of communications, which was the first step to the incorporation of a company focused on programmable electronic IT components, thereby expanding the activity of his family's businesses. In 1993 he entered the mobile telephony business by acquiring Telital, a company which he developed and sold five years later to the Generali Group. He then turned his attention to the energy industry, transforming Industrie Riello into Italy's leading manufacturer of uninterruptible power supplies (UPS), currently fourth international group. He subsequently he has successfully invested in the area of business of automation and industrial and civil safety. He leads a Group having about euro 350 million of income and about one thousand employees.

#### **MARCO GALLIANI**

Born in Bologna on 20 February 1954, he graduated in Law and currently leads his family's metallurgy business (extrusion of aluminium and production of semi-finished silver and silver alloy products and extrusion of copper alloys).

#### **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 13 June 1978, she graduated in Business and Economics from the University of Bologna in 2001. She has been working at Ferrero S.p.A. in Torino from 2001 to 2004, focusing her activity on orders management, promotional activities planning and as a Junior Product Manager. In 2004 and 2005 she collaborated with Mediobanca-Banca di credito finanziario S.p.A. in Milano as a credit analyst, with focus on rating assessment, before resuming the collaboration with Ferrero S.p.A in Torino and Ferrero S.A. in Bruxelles, acting as Brand Manager until 2012. Since then, she has been collaborating with Datalogic Group, holding several managing positions. She has been a member of the Board of Directors of Datalogic S.p.A. since 2001.

#### **RITA ROLLI**

Born in Forlì on 10 May 1969, she graduated in Law from the University of Bologna in 1993; in 1999 she earned her PhD in Civil Law (*Diritto Civile*) at the University of Bologna and she became Associate Professor earning the qualification of *Professore di Prima Fascia* in 2013. She is the author of several essays and papers concerning civil law (*diritto civile*), corporate and commercial law. In 1997 she was registered with the Lawyers' Registry (*Albo degli Avvocati*) at the Court of Appeal of Bologna; she currently advises first ranking Italian listed companies focusing on corporate governance issues, regulatory aspects also in connection with Legislative Decree no. 58 of 1998, M&A transactions, national and international agreements. She holds the charge of member of the Board of Directors of Cassa dei Risparmi di Forlì e della Romagna and of Trevi Finanziaria Industriale s.p.a. for 2015, 2016 and 2017.

#### **STEFANO CATAUDELLA**

Born in Viterbo on 8 July 1949, he graduated in Biology in 1973. He is currently full professor (*professore ordinario*) of Ecology at the Università degli Studi di Roma "Tor Vergata"; he is the author of several essays and papers concerning ecologic, economic and institutional viewpoints of aquatic food products. He has been advising, *inter alia*, the European Community, the Food and Agriculture Organization and the United Nations Development Programme. He has been acting as Chairman of the General Fisheries Commission for the Mediterranean at the Food and Agriculture Organization (FAO) since 2011.

\* \* \*

The CVs of the directors appointed by the Shareholders' Meeting, together with the documents set out under IMA's Articles of Association, 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](http://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's 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 2015, 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 Articles of Association and Shareholders' Meeting regulations;
- e) IMA's Code of Ethics and Model pursuant to Legislative Decree no. 231 of 2001;
- f) Legislative Decree no. 58 of 1998 (TUF – the 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 which started in 2015 has continued during the Financial Year; in particular the Lead Independent Director, Paolo, Frugoni, has attended a training program on tasks and liabilities related to the office of member of governance and control boards of listed companies, with special focus on liability of directors and statutory auditors as well as on relationship with investors and corporate information.

During the Financial Year, the Board has been kept constantly up to date 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.

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

In 2016, the Board has held seven meetings, each of them with an average duration of 1h 40 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 2015 and the Half Year Report as at 30 June 2016.

On 20 January 2017 the Company issued a calendar with the dates of the five Board meetings already scheduled for 2017.

As at March 2017 the Board of Directors had already met twice.

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 28 April 2015 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 2016 was approved by means of 16 September 2014 Board's resolution; 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, during the financial Year it was resolved to amend the Model, whose approval shall take place in the first months of 2017.

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 28 April 2015 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 ten million euros is to be considered as a transaction having a significant importance under strategic, economic and financial standpoint.

\* \* \*

On 13 May 2016, 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 Articles of Association, 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.

#### **4.4. Delegated bodies**

##### **MANAGING DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS**

Pursuant to art. 22 of IMA's Articles of Association, 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 Articles of Association 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 2012, 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;

the power to grant usage rights (*diritti reali di godimento*) over the Company's assets. After the renewal of the Board by the Shareholders' Meeting on 28 April 2015, Alberto Vacchi was confirmed in the offices of Managing Director and Chairman of the Board of Directors, with a substantive confirmation of the powers previously granted him. 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 criterion 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 Articles of Association, 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 2016 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 28 April 2015, the two following members of IMA Board of Directors may be qualified as Executive Directors:

- a) Director Andrea Malagoli, formerly granted with powers related to pharmaceutical sector and to Far East area by virtue of Board resolution of 27 April 2012, was granted with special powers in connection to the Dairy&Food business division;
- b) Director Giovanni Pecchioli, due to his thirty-year experience in the pharmaceutical sector and to his twenty-year collaboration in managing position with IMA, was granted with special powers in connection to the Pharma business division.

#### **4.6. Independent directors**

By virtue of the renewal occurred on 28 April 2015, the following three Directors are to be considered as Independent Directors:

- a) Paolo Frugoni;
- b) Rita Rolli;
- c) Pierantonio Riello.

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 28 April 2015, 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 28 April 2015 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.

In December 2016, 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 2016 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 has been appointed as Lead Independent Director since 27 April 2012.

The Lead Independent Director – in accordance with the resolution dated 28 April 2015 – 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 – 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.

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 "Guide to Market Information" issued by Borsa Italiana, as well as 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.

At the Board meeting of 27 April 2012, following the renewal of the Board of Directors on the basis of the resolution of the Shareholders' Meeting passed the same day, it was resolved to appoint, as from that date, a single committee combining the functions, duties and powers which would be assigned to the Nominations Committee, Remuneration Committee and the Internal Control and Risk 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. NOMINATIONS COMMITTEE**

## **8. REMUNERATION COMMITTEE**

## **9. INTERNAL CONTROL AND RISK COMMITTEE**

As anticipated above, the Board has appointed a single Committee combining the functions, duties and powers of the Nominations Committee, Remuneration Committee and the Internal Control and Risk Committee.

The Committee is composed by the following three non-executive directors, the majority of whom are independent:

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

Paolo Frugoni, an independent director, was appointed as Chairman of this Committee, with the task to coordinate the activity of the Committee.

Every Committee Meeting is reported into minutes and the Chairman reports to the Board upon its first following meeting. During 2016, the Committee has held five meetings, for an average duration of 1h and 10 minutes each.

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

On 27 April 2012, the Board assessed that Paolo Frugoni, Maria Carla Schiavina and Pierantonio Riello had adequate experience in accounting and finance, (experience which is required for at least one member of the Committee according to the principles set out under the Code).

No directors attended meetings of the Committee that made proposals to the Board regarding their remuneration.

Some meetings were attended by the Chairman of the Board of Statutory Auditors or by his nominee, as well as by the Chairman of the Company's Supervisory Board.

#### **FUNCTIONS OF THE COMMITTEE**

The Committee is entrusted with the following tasks:

- a) submittal to the Board the 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) submittal 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 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 appointed as head of internal audit since 2012);
- e) 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;
- f) 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;
- g) evaluation of the periodic reports concerning the internal control and risk management system;
- h) monitoring the autonomy, adequacy, effectiveness and effectivity of internal audit organization;
- i) 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.

The Committee has not requested the internal audit function to perform any special check on operative areas, since no need of such request occurred in 2015.

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

In 2016, the Committee has performed the following activities:

- a) assessing the general policy about remuneration to be granted to managers with strategic;
- b) report on the plenary meeting held of the control bodies of the Company held on 5 December 2016;
- c) assessing the adequacy and uniformity of the accounting policies used in preparing the consolidated financial statements;

- d) assessing of the criteria related to variable remuneration of 2016 executive directors;
- e) examining the report on remuneration according to article 123 *ter*, paragraph 6, TUF;
- f) examining the periodic evaluation on the adequacy of the internal control system;
- g) submittal by the Supervisory Board of the 2017 activity plan as well as of the final report on 2016 activity; assessment of criteria used to periodically examine the adequacy of the members of the Supervisory Board and their respective independence;
- h) preparing the criteria to calculate the variable part of remuneration to be granted to individuals entrusted with any special office;
- i) examining the situation concerning the remunerations to be paid to the Corporate Accounting Documents Officer;
- j) examining the report on the Supervisory Board activity;
- k) examining the activity carried out by, and evaluation of, the Internal Control and Risk Management system.

In 2016 no detrimental facts which may have generated any risks whatsoever were communicated to the Board and therefore the Committee has not performed any sort of investigation activity.

During its activities, the 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 (1), 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 assesses the functioning and the suitability of the internal control and risk management system, by means of the auditing plan approved by the Board through the 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 Committee and to the Board of Statutory Auditors at the meetings held on 14 November 2016 and 5 December 2016.

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 Committee.

During 2015, 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 2 full-time employees for the carrying out of the planned controls and of a fund for future expenses of euro 15,000 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 Law 231/01 regarding IMA;
- c) compliance with the organisational procedures set out in Law 231/01 regarding Corazza S.p.A., GIMA S.p.A., GIMA TT S.p.A., Fillshape S.r.l., Revisioni Industriali S.r.l.;
- 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 remuneration 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.

The organisation, management and control 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 type of crimes which the model is aimed at avoiding are (by way of example and not limited to):

- a) crimes against the public service (*pubblica amministrazione*);
- b) corporate crimes;
- c) markets abuses;
- d) IT-related crimes;
- e) crimes against individuals;
- f) crimes against industry, trade and intellectual property;
- g) rules concerning workplace hygiene and safety;
- h) transnational networks;
- i) handling of stolen goods, laundering of illegal money, goods or proceeds;
- j) employment of citizens of countries whose stay is unauthorized.

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

At the same time when such model was adopted, a Code of Ethics was adopted and a Supervisory Board was appointed.

Even though the Board has examined the possibility to entrust the Board of Statutory Auditors with the tasks with which the Committee has been entrusted, the Board has resolved not to choose such possibility which might be evaluated in the future.

The Supervisory Board is composed of:

- a) Maria Lucia Sireci: Chairwoman, a professional with a legal background, who has a particular knowledge of the Company's organisational structure;
- b) Gerardo Diamanti: an independent professional with an economics background and particular experience in cash flow management;
- c) Mario Panzeri: a professional with a background in company law, specific experience of supervisory boards and particularly experienced on protocols and procedures.

The Supervisory Board is responsible for **(i)** supervision of the Organisation, Management and Control 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 members of the Supervisory Board have not been appointed in any office within the Company and meet the autonomy and independence requirements in order to carry out the tasks they are assigned.

Over the years and, most recently, in 2014 the organisation, management and control model has undergone updates, so to adapt it to the application feedback, as well as the regulatory framework.

The Company's Organisation, Management and Control Model pursuant to legislative decree no. 231 of 2001 effective as at 31 December 2016 was approved by Board resolution of 16 September 2014; in order to adapt the organisation, administrative and accounting structure of the Company to evolution in laws and regulations, courts' judgements and scholars' opinions which have occurred, during 2016 the amendment of the Model was started.

IMA's organisation, management and control model and its 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) Fillshape S.r.l. (model adopted on 27 April 2015).

#### **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 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 Articles of Association and having heard the opinion of the Board of Statutory Auditors.

Sergio Marzo meets all requirements set out in art. 25 of the Articles of Association: 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 Manager Responsible for Preparing Financial Reports shall report twice a year to the Board on the work performed and on the costs incurred.

#### **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](http://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 in 2016 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 Articles of Association 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 Consob resolutions no. 19499 of 2016 and no. 19856 of 2017, which set out the lower percentage of 1%.

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 Articles of Association.

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 (the "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 (the "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, PARAGRAPH 2 (D), 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](http://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 6 times during 2016. Each meeting had an average duration of 2h and 10 minutes.

The Supervisory Board, which is required to meet at least every ninety days, has already met twice as at March 2017.

The composition of Board of Statutory Auditors has not changed since the end of 2015.

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. She advises companies and legal entities on both tax and corporate issues and she collaborates with the *Tribunale Penale* and the *Procura della Repubblica* of Bologna and Modena as independent advisor on corporate and bankruptcy crimes, and she acts as Insolvency Practitioner (*Curatore Fallimentare* o *Commissario*) in several bankruptcy proceedings upon assignment by the *Tribunale* of Bologna. 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 Articles of Association, 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](http://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 Committee through the attendance by its Chairman to all meetings of the Committee; some Serving Auditors have attended as well some of the 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 Articles of Association 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 Articles of Association 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 controlling shareholders have not submitted to the Shareholders’ Meeting any item to be inserted in the meetings’ agenda, which had not been previously proposed by IMA’s directors.

\* \* \*

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 2016 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 2016, 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, of General Managers 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 47.92 at the beginning of the year to Euro 57.60 at the end of the year.

#### **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 2016, four transactions were reported and the relevant filings can be seen on the Company's website <http://www.ima.it>.

#### **18. CHANGES SINCE THE END OF THE YEAR**

The acquisition of a majority shareholding in an Argentina-based company was carried out as from the end of 2016.

Ozzano dell'Emilia (Bologna), 14 March 2017

On behalf of the Board of Directors

The Chairman

Alberto Vacchi

**TABLE 1****OWNERSHIP STRUCTURE INFORMATION**

<b>STRUCTURE OF SHAREHOLDING</b>				
	<b>NO. OF SHARES</b>	<b>% OF SHARE CAPITAL</b>	<b>LISTED</b>	<b>RIGHTS AND OBLIGATIONS</b>
Ordinary Shares	39.260.000	100%	STAR Segment of Borsa Italiana S.p.A.	Right to vote at both Ordinary and Extraordinary Shareholders' Meeting
<b>SIGNIFICANT SHAREHOLDINGS</b>				
<b>DECLARANT</b>	<b>DIRECT SHAREHOLDER</b>	<b>PERCENTAGE OF ORDINARY SHARE CAPITAL</b>	<b>PERCENTAGE OF VOTING SHARE CAPITAL</b>	
Lopam Fin S.p.A.	SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A..	57.00%	57.00%	

**TABLE 2**

**STRUCTURE OF THE BOARD OF DIRECTORS AND ITS SUB-COMMITTEES<sup>1</sup>**

BOARD OF DIRECTORS													INTERNAL CONTROL AND RISK MANAGEMENT, REMUNERATIONS, NOMINATIONS COMM.		REMUNERATIONS COMM.		NOMINATIONS COMM.		EXECUTIVE COMM. (IF ANY)		OT COM A
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTED *	OFFICE HELD FROM	OFFICE HELD UNTIL APPROVAL OF F.S. AS AT	LIST **	EXEC.	NON EXEC.	INDEPENDENT UNDER CODE	INDEPENDENT UNDER TUF	(*)	NO. OTHER OFFICES ***	(*)	(**)	(*)	(**)	(*)	(**)	(*)	**	****
Honorary Chairman	Vacchi Marco	1937	04.01.82	04.01.82	31.12.17	M		•			6/7										
Chairman and Managing Director (♦◇)	Vacchi Alberto	1964	09.11.88	09.11.88	31.12.17	M	•				7/7	5									
Director	Schiavina Maria Carla	1965	09.11.88	09.11.88	31.12.17	M		•			7/7	5	5/5	M							
Director	Vacchi Gianluca	1967	14.12.93	14.12.93	31.12.17	M		•			6/7	6									
Director	Malagoli Andrea	1965	16.05.96	16.05.96	31.12.17	M	•				7/7	1									

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 MANAGEMENT, REMUNERATIONS, NOMINATIONS COMM.		REMUNERATIONS COMM.		NOMINATIONS COMM.		EXECUTIVE COMM. (IF ANY)		OTHER COMM. (IF ANY)
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTED *	OFFICE HELD FROM	OFFICE HELD UNTIL APPROVAL OF F.S. AS AT	LIST **	EXEC.	NON EXEC.	INDEPENDENT UNDER CODE	INDEPENDENT UNDER TUF	(*)	NO. OTHER OFFICES ***	(*)	(**)	(*)	(**)	(*)	(**)	(*)	**	****
Director	Poggi Luca	1961	16.05.96	16.05.96	31.12.17	M		•			7/7	6									
Director	Riello Pierantonio	1959	28.04.09	28.04.09	31.12.17	M		•	•	•	5/7	N/A	1/5	M							
Director	Galliani Marco	1954	28.04.09	28.04.09	31.12.17	M		•	•	•	5/7	1									
Director (o)	Frugoni Paolo	1947	15.12.11	15.12.11	31.12.17	M		•	•	•	7/7	N/A	5/5	P							
Director	Volta Valentina	1978	28.04.15	28.04.15	31.12.17	M		•			4/7	1									
Director	Cataudella Stefano	1949	28.04.15	28.04.15	31.12.17	M		•			7/7	N/A									
Director	Pecchioli Giovanni	1956	28.04.15	28.04.15	31.12.17	M	•				6/7	N/A									
Director	Rolli Rita	1969	28.04.15	28.04.15	31.12.17	M		•	•	•	5/7	2									
<b>DIRECTORS WHO LEFT THE OFFICE IN 2015</b>																					
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A						
Number of Board meetings in 2016								BoD: 7		IC/RC, RC & NC: 5		RC: N/A		NC: N/A		EC: N/A		Other: N/A			
<b>QUORUM REQUESTED FOR THE PRESENTATION OF LISTS FOR LATEST ELECTIONS: 1.0%</b>																					

**TABLE 3**

**STRUCTURE OF THE BOARD OF STATUTORY AUDITORS<sup>2</sup>**

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	Financial Statements Approval as at 31.12.18	m	•	4/4	N/A
Serving Auditor	Roberta De Simone	1964	2013	24.04.13	Financial Statements Approval as at 31.12.18	M	•	6/6	N/A
Serving Auditor	Riccardo Pinza	1969	2010	28.04.10	Financial Statements Approval as at 31.12.18	M	•	6/6	N/A
Alternate Auditor	Elena Spagnol	1968	2016	27.04.16	Financial Statements Approval as at 31.12.18	m	•		
Alternate Auditor	Federico Ferracini	1968	2010	28.04.10	Financial Statements Approval as at 31.12.18	M	•		
Alternate Auditor	Giovanna Bolognese	1960	2013	24.04.13	Financial Statements Approval as at	M	•		

<sup>2</sup> \* 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.

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 ****
					31.12.18				
AUDITORS WHO LEFT OFFICE IN 2015									
Chairman	Giacomo Giovanardi	1961	2007	27.04.07	Financial Statements Approval as at 31.12.15	M	•	2/2	N/A
Alternate Auditor	Coraducci Vittorio	1957	2004	26.04.04	Financial Statements Approval as at 31.12.15	M	•		
<b>NUMBER OF MEETINGS IN 2016: 6</b>									
<i>QUORUM</i> REQUESTED FOR THE PRESENTATION OF LISTS FOR LATEST ELECTIONS: 1.0%									

## 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 (the "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 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 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.

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.

**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 which compose the System:

- a) Identification of risks relating to financial information;
- b) assessment of risks relating to financial information;
- c) identification of controls over the risks identified;
- d) evaluation of controls over the risks identified;
- e) reporting to management on the adequacy and effectiveness of the System.

Such phases result in the following reports being made, based on the "CoSO Report – Internal Control Integrated Framework" model:

<b>PHASES OF THE IMA SYSTEM</b>	<b>COMPONENT OF THE "CoSO REPORT – INTERNAL CONTROL INTEGRATED FRAMEWORK"</b>
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
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.

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, 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.

#### **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, 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 an examination of the findings of the System controls and, where possible, repeating the controls.

The sampling of the activities and information being audited is decided according to the best practices of the reference model.

#### **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.

<b>PHASE OR ACTIVITY</b>	<b>PRIMARY RESPONSIBILITY</b>	<b>SUPPORT</b>
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	Manager responsible for preparing financial reports
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
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
<b>MARCO VACCHI</b>	Banca di Bologna Credito cooperativo SCRL	Chairman
	Alva S.p.A.	Managing Director
	Lopam Fin S.p.A.	Chairman
	SO.FI.M.A. S.p.A.	Chairman
<b>ALBERTO VACCHI</b>	Alva S.p.A.	Chairman
	SO.FI.M.A. S.p.A.	Director
	Etrusco S.r.l.	Sole Director
	Maestrale Investimenti S.r.l.	Sole Director
	NEMO Investimenti S.r.l.	Presidente
<b>GIANLUCA VACCHI</b>	SO.FI.M.A. S.p.A.	Director
	Eleven Finanziaria S.r.l.	Sole Director
	Boato Holding S.p.A.	Chairman
	Cofiva S.A.	Director
	Boato International S.p.A.	Chairman
	First Investments S.p.A.	Sole Director
<b>MARCO GALLIANI</b>	Cassa di Risparmio di Ravenna	Director
<b>MALAGOLI ANDREA</b>	SO.FI.M.A. S.p.A.	Director
<b>LUCA POGGI</b>	Finanziaria del Vetro	Director
	Boato Holding S.p.A.	Director
	Boato International S.p.A.	Director
	Fariniundici S.p.A.	Director
	Eolo Partecipazioni S.r.l.	Director
	SO.FI.M.A. S.p.A.	Director
<b>MARIA CARLA SCHIAVINA</b>		
	Eredi Schiavina S.r.l.	Chairman

	Immobiliare Schiavina S.r.l.	Vice-Chairman
	Murazzi Ecostruttura-Mecos S.r.l.	Vice-Chairman
	Schiavina S.r.l.	Chairman
	SO.FI.M.A. S.p.A.	Director
<b>VALENTINA VOLTA</b>	Datalogic S.p.A.	Director
<b>RITA ROLLI</b>	Cassa dei Risparmi di Forlì e della Romagna	Independent Director
	Trevi Finanziaria Industriale S.p.A.	Independent Director