

**F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.**  
**2018 CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**  
as per Article 123-*bis* of Legislative Decree No. 58/1998



**(traditional administration and control model)**

**Issuer: F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.**

**Website: [www.filagroup.it](http://www.filagroup.it)**

**Financial year: 2018**

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## PRINCIPAL DEFINITIONS

The key definitions utilized in this Report are illustrated below.

<b>Acquisition of the Pacon Group</b>	The acquisition of the Pacon Group (as defined below) completed on June 7, 2018 by the Issuer for an acquisition price of USD 340,000 thousand, equivalent to Euro 287,300 thousand at the acquisition date, through FILA Acquisition Company, a company set up for this purpose and fully controlled by Dixon (as defined below and is, in turn, 100% directly held by Fila), which was incorporated by Pacon as part of the acquisition (as defined below).
<b>Share capital increase</b>	<p>The share capital increase approved on October 11, 2018 by the Extraordinary Shareholders' Meeting of the company, for a divisible paid-in share capital increase for a maximum amount of Euro 100,000, including any share premium, to be executed by and not beyond March 31, 2019, through the issue of ordinary and class B Shares with full rights, in the form of a rights offering to shareholders, in accordance with Article 2441, paragraphs 1, 2 and 3 of the Civil Code and Article 5 of the By-Laws.</p> <p>On November 28, 2018, the Issuer's Board of Directors established Euro 99,961 thousand as the maximum amount of Share Capital Increase.</p>
<b>Lending Banks</b>	Banks with whom the Issuer signed the Loan Contract (as defined below), that is: Mediobanca – Banca di Credito Finanziario S.p.A. and UniCredit S.p.A., as the “Global Coordinator”, Banco BPM S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A. and UniCredit S.p.A., as the “Bookrunner”, Banca IMI S.p.A., Banco BPM S.p.A., Banca Nazionale del Lavoro S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., and UniCredit S.p.A., as the “Mandated Lead Arranger”, and UniCredit Bank AG, Milan Branch, as the agent bank and underwriting agent, to which Crédit Agricole Cariparma S.p.A., Credito Valtellinese S.p.A. and Unione di Banche Italiane S.p.A. were subsequently added as the Lending Banks.
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6.

<b>Civil Code</b>	refers to Legislative Decree 262 of March 16, 1942, and subsequent amendments and supplements.
<b>Self-Governance Code</b>	the Self-Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website <a href="http://www.borsaitaliana.it">www.borsaitaliana.it</a> in the section "Borsa Italiana - Regulation - Corporate Governance".
<b>Board of Directors</b>	The Issuer's Board of Directors.
<b>Consob</b>	the National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
<b>Loan Agreement or SFA</b>	the loan contract signed by the Issuer with the Lending Banks on June 4, 2018, for a total amount of Euro 570,000 thousand.
<b>Underwriting Agreement</b>	the agreement signed on November 28, 2018 between the Issuer and the Guarantors covering the Guarantors' commitment, under conditions that are in line with market practices for similar transactions, to subscribe to any remaining unopted New Ordinary Shares at the end of the Stock Exchange Offer.
<b>Effective Merger Date</b>	June 1, 2015.
<b>Reporting date</b>	December 31, 2018.
<b>Dixon</b>	Indicates Dixon Ticonderoga Company, a company with its head office at 615 Crescent Executive Ct., Lake Mary, Florida, 100% owned by Fila, which directly holds the entire share capital of Pacon.
<b>Issuer, FILA, Fila or Company</b>	F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A., with registered office at Pero (MI), Via XXV Aprile, 5, REA No. 2022589, Milan Company's Registration and Tax No. 8391050963.
<b>Reference Period</b>	<b>Period</b> or year-ended December 31, 2018
<b>Merger</b>	the merger by incorporation of FILA, completed on the Effective Merger Date.
<b>Guarantors</b>	Mediobanca and UniCredit (which cover the role of " <b>Joint Global Coordinators</b> " in the Share Capital Increase) and Banca Akros, Banca IMI and BNP Paribas (which cover the role of Joint Bookrunners in the Share Capital Increase), that is, the lending banks which signed the Underwriting Agreement.

<b>Group or FILA Group</b>	FILA and the subsidiaries pursuant to Article 2359, paragraph 1.1 of the Civil Code and associates pursuant to Article 2359, paragraph 3 of the Civil Code included in the consolidation scope.
<b>Pacon Group</b>	Collectively Pacon Holding Company and its subsidiaries pursuant to Article 2359, paragraph 1.1 of the Civil Code and associates pursuant to Article 2359, paragraph 3 of the Civil Code included in the consolidation scope.
<b>Stock Exchange Instruction Regulation</b>	the Instructions to the Regulation for Markets organized and managed by Borsa Italiana.
<b>Pacon Managers</b>	Jim Schmitz, Jim McDermott, Joan Strand, Brian Higgins and John Carlberg.
<b>Pacon Warrants</b>	the 172,678 warrants awarded to the Pacon Managers on November 28, 2018, which give the right to receive 1 (one) of the Issuer's new ordinary shares for each warrant exercised.
<b>MIV</b>	the Investment Vehicles Market organized and managed by Borsa Italiana.
<b>MTA</b>	the Italian Stock Exchange organized and managed by Borsa Italiana.
<b>Operation</b>	The reorganisation between Space and FILA, as approved by the Board of Directors of the above-mentioned companies on January 15, 2015, undertaken principally through the Merger.
<b>Supervisory Board</b>	the Supervisory Board established by the Issuer in accordance with Legislative Decree No. 231/2001.
<b>Pacon</b>	Pacon Holding Company, a company incorporated under the law of the State of Delaware, fully and indirectly owned by Fila.
<b>Shareholders' Agreement</b>	the shareholder agreement signed on January 15, 2015 between Space, Space Holding, Pencil and VEI, expired in the Year.
<b>Pencil</b>	Pencil S.p.A. with registered office at Piazza Carlo Felice 7, Turin.
<b>2017-2019 Performance Shares Plan</b>	The remuneration plan as per Article 114-bis of the CFA concerning the free assignment of company shares, approved by the Shareholders' Meeting of the company on April 27, 2017 and which will be terminated in advance, following a motion from the Shareholders' Meeting of the company called for the approval of the Fila financial statements for the year 2018.

<b>SME`s</b>		small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter <i>w-quater1</i> ), of the CFA.
<b>Procedure Transactions Related Parties</b>	<b>for with</b>	the procedure for transactions with related parties adopted by the Company in compliance with the Consob TRP Regulation.
<b>Stock Exchange Regulation</b>		the regulation for markets organized and managed by Borsa Italiana, and subsequent amendments and supplements.
<b>Issuers' Regulation</b>		the enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.
<b>Related Regulation</b>	<b>Parties</b>	the regulation adopted by Consob Resolution No. 17221 of March 12, 2010 (as subsequently amended) in relation to transactions with related parties.
<b>Report</b>		the present Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123- <i>bis</i> of the CFA.
<b>Space</b>		Space S.p.A.
<b>Space Holding</b>		Space Holding S.r.l., with registered office at Piazza Cavour 1, Milan, promotor of Space.
<b>Sponsor Warrant</b>		warrants pursuant to the regulation of the "Sponsor Warrant Space S.p.A."
<b>By-Laws</b>		the By-Laws of the Company in force at the reporting date.
<b>CFA</b>		Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.
<b>VEI</b>		Venice European Investment Capital S.p.A.



## 1. COMPANY PROFILE

FILA, founded in Florence in 1920 and managed since 1956 by the Candela family, is a highly consolidated, dynamic and innovative Italian industrial enterprise and continues to grow market share.

In November 2015, FILA listed on the STAR segment of the Milan Stock Exchange.

The company, with revenue of over Euro 600 million in 2018, has grown significantly over the last twenty years and has achieved a series of strategic acquisitions, including the Italian Adica Pongo, the US Dixon Ticonderoga Company and the Pacon Group, the German LYRA, the Mexican Lapiceria Mexicana, the English Daler-Rowney Lukas and the French Canson.

FILA is an icon of Italian creativity globally through its colouring, drawing, modelling, writing and painting tools, thanks to brands such as Giotto, Tratto, Das, Didò, Pongo, Lyra, Doms, Maimeri, Daler-Rowney, Canson, Princeton and Strathmore. Since its foundation, FILA has chosen to focus on growth through continuous innovation, both in technological and product terms, in order to enable individuals to express their ideas and talent through tools of exceptional quality. In addition, FILA and the Group companies work together with the Institutions to support educational and cultural projects which promote creativity and expression among individuals and make culture accessible to all.

FILA operates through 21 production facilities (of which 2 in Italy) and 35 commercial subsidiaries across the globe and employs approx. 9,500.

The Company has adopted the traditional administration and control model with the following bodies and committees:

- (i) Shareholders' Meeting;
- (ii) The Board of Directors, which also operates through the Chief Executive Officer and the Executive Director, and within the Board:
  - a) Control, Risks and Related Parties Committee; and
  - b) Remuneration Committee;
- (iii) Board of Statutory Auditors.

The company in addition set up a Supervisory Board and appointed, in accordance with law, KPMG S.p.A. as the independent audit firm.

At the reporting date, the company qualified as an SME in accordance with Article 1, paragraph 1, letter w. quater.1) of the CFA. The table below indicates the relevant thresholds for the purposes of the company's classification as an SME and, in particular, the capitalisation value and its revenues in the last three years as communicated to Consob by the company for the purposes of their publication by Consob.

AVERAGE CAPITALISATION 2017	AVERAGE CAPITALISATION 2016	AVERAGE CAPITALISATION 2015	REVENUE 2017	REVENUE 2016	REVENUE 2015
695,694,989	479,024,431	268,789,455	510,353,519	422,608,689	275,332,665

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123 BIS, PARAGRAPH 1, CFA)

### 2.1 SHARE CAPITAL STRUCTURE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), CFA)

#### 2.1.1 Share capital and shares of the Company

At the date of the present Report, the subscribed and paid-in share capital of FILA amounts to Euro 46,799,406, divided into 50,870,740 shares, of which 42,788,884 ordinary shares and 8,081,856 special B shares (B Shares), all without nominal value.

The share capital of FILA is comprised of the following class of shares:

Class	No. of shares	% of share capital	Listed / Non listed	Rights and obligations
Ordinary shares	42,788,884	84.11%	MTA - STAR Segment	Allocates 1 vote per share
B Shares (multi-vote shares)	8,081,856	15.89%	Non-listed	Allocates 3 votes per share

The shares, both ordinary and B Shares are subject to the dematerialisation rules pursuant to Article 83-*bis* and thereafter of the CFA.

The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the Company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.

In accordance with Article 5.6 of the By-Laws, the B shares attribute the same rights as the ordinary shares, with the exception of:

- each B Share confers the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the Company, subject to any statutory limitation;
- They are automatically converted into ordinary shares at the ratio of one ordinary share for every Class B share (without the need for approval at a Special Class B Shareholders' Meeting, nor by the shareholders of the Company) in the event of (i) sale to parties who are not already owners of Class B shares, except in the case where the transferee is a holding company, controlled by or subject to common control with the transferor and, on the understanding that, in this case, if the transferee loses the status of a holding company, controlled by or subject to common control with the transferor, all the Class B shares of the holder will be automatically converted into ordinary shares at the ratio of one ordinary share for every Class B share and (ii) change of control of the person holding the Class B shares, where the holding company means the party who, under applicable law, is obliged to provide information about major holdings (the "Ultimate Parent") and this, except for cases where this change of control takes place (1) not by *inter vivos* transaction; or (2) *inter vivos* in favour of parties who are successors in title of the Ultimate Parent and/or in favour of a Company or other entities directly or indirectly controlled by the Ultimate Parent or its direct successors in title or where

they themselves are the beneficiaries, specifying that the change from exclusive control to joint control with third parties acting jointly with the Ultimate Parent will not constitute a change in control for the purposes of this section 5.4 (b);

- they may be converted, in all or in part and also in several tranches, into ordinary shares on the simple request of the owner, to be sent to the Chairman of the Board of Directors of FILA and in copy to the Chairman of the Board of Statutory Auditors, also based on one ordinary share for every B Share.

The conversion is ratified by the Board of Directors with resolutions taken by statutory majority. In the event of omission by the Board of Directors, the conversion is ratified by the Board of Statutory Auditors with the approval of a majority of those present.

Ordinary shares may not be converted into B Shares.

The Company may issue B Shares limited to the following cases (a) share capital increases pursuant to Article 2442 of the Civil Code or through new conferment without exclusion or limitation of the option right, in any case together with ordinary shares; and (b) mergers or spin-offs.

In the event of a share capital increase to be undertaken through the issue of ordinary shares, all shareholders will have the right to subscribe to the newly-issued ordinary shares (unless the option right is excluded in accordance with law or there is no entitlement) in proportion and in relation to the shares - including ordinary shares or Class B shares – held at the moment of share capital increase. In such an event, the passing of the relative motion pursuant to Article 2376 of the Civil Code by the special shareholders' meeting of the B Shares is not required.

In the event of a share capital increase through the issue of ordinary or B Shares: (i) the number of the ordinary and B Shares to be issued must be proportional to the number of ordinary and B Shares of the share capital at the date of the relative resolution; and (ii) the ordinary and B Shares to be issued must be offered to each shareholder in relation to and in proportion to, respectively, the ordinary and B Shares held at the date of the share capital increase, noting that the B Shares may only be subscribed by shareholders already holders of B Shares; in the absence of subscription of the newly issued B Shares by the shareholders of the B Shares, the B Shares will automatically convert into ordinary shares based on one share for every B Share and will be offered to the other shareholders in accordance with applicable legal provisions.

Where the Company participates in a merger by incorporation as the incorporating company or in a merger, the holders of the B Shares will have the right to receive, within the share swap ratio, shares with the same characteristics - in relation to the multi-voting rights – as the B Shares, in accordance with applicable legal provisions.

The Shareholders' Meeting of the Issuer of April 27, 2017 permitted the Board of Directors to increase the share capital pursuant to Article 2443 of the Civil Code to service the "2017-2019 Performance Shares Plan" described in the disclosure

document prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation and in the relative illustration report prepared in accordance with

Article 114-*bis* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) - Governance section.

The Board of Directors which met on March 15, 2019, with the prior favourable opinion of the Remuneration Committee, proposed to the Shareholders' Meeting of the company called to approved the 2018 financial statements, the early termination of the 2017-2019 Performance Shares Plan and the adoption, in substitution, of the "2019-2021 Performance Shares Plan" for Executive Directors, Senior Executives and Senior Managers of the company. In this context, a proposal was made to the Shareholders' Meeting of the company to increase the share capital as per Article 2443 of the Civil Code in service of the 2019-2021 Performance Shares Plan. For further information on the 2019-2021 Performance Shares Plan, reference should be made to the disclosure document prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation as well as the Illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) in the Governance section.

### **2.1.2 Warrants**

On October 9, 2013, the Extraordinary Shareholders' Meeting of FILA - among other matters - resolved:

- to issue a maximum 2,692,307 ordinary shares, without par value - with a reduction of the implied par value of all shares in circulation - and without any simultaneous increase in share capital, in service of the "Market Warrant F.I.L.A. S.p.A." exercisable in accordance with the terms and conditions laid down by the relevant regulation approved by the Extraordinary Shareholders' Meeting at the same meeting, as amended by the Board of Directors on January 15, 2015 in accordance with Article 6.3 of that regulation; and
- to increase the paid-in share capital, divisible, for a maximum total amount, including share premium, of Euro 9,750,000, through the issue of a maximum 750,000 conversion shares to service the Sponsor Warrants and in accordance with the conditions of the relative regulations approved by the same Extraordinary Shareholders' Meeting. Following this resolution, 690,000 Sponsor Warrants were issued, all assigned to Space Holding. Each Sponsor Warrant gives rights, against the relative exercise, of the assignment of one FILA ordinary share.

With reference to the "F.I.L.A. S.p.A. Market Warrants", on January 4, 2016 the exercise period concluded. From December 1, 2015 to this date 8,153,609 Market Warrants were exercised against the subscription of 2,201,454 ordinary shares of the Company. As established by paragraph 5.1 of the "F.I.L.A. S.p.A. Market Warrants" Regulation, the remaining 22,685 unexercised "F.I.L.A. S.p.A. Market Warrants" are cancelled and entirely invalid.

In relation to the Sponsor Warrants, on January 15, 2015, the Board of Directors pursuant to Article 6.2 of the regulation approved some amendments to the "Exercise

Price” of the warrants, in order to adjust the terms and conditions of the exercise in the event of the distribution of reserves within the Operation.

As the date of this Report, Space Holding holds all of the Sponsor Warrants (*i.e.* 690,000). The Sponsor Warrants are exercisable - in accordance with the terms and conditions of the regulation - in the period between the first stock market trading day after June 1, 2015 (the Effective Merger Date) and the tenth anniversary of that date.

The Sponsor Warrants are not listed on any regulated market.

The Sponsor Warrant Regulation is published on the website of the Issuer [www.filagroup.it](http://www.filagroup.it) – Governance section.

The information on the above-mentioned Sponsor Warrants are summarised in the table below.

	Listed / Non listed	No. of instruments outstanding	Class of shares for conversion/exercise	No. of shares for conversion/exercise
Sponsor Warrant	Non-listed	690,000	Ordinary shares	maximum 750,000 ordinary shares

In addition, as part of the Acquisition of the Pacon Group, the free assignment of Pacon Manager Warrants was stipulated for the Pacon Managers, which give the right to receive a FILA newly-issued ordinary share for each Pacon Manager Warrant exercised. In this regard, it should be noted that on October 11, 2018, the Extraordinary Shareholders' Meeting of FILA passed a motion on a share capital increase with the exclusion of the option right, indivisible and against payment, for a value of USD 2,050,000, inclusive of share premium, to serve the Pacon Manager Warrants. On November 28, 2018, the Board of Directors of the Issuer approved, on the basis of the powers granted by the Shareholders' Meeting, Euro 1,810,000 as the maximum amount of the above-mentioned share capital increase and a maximum of 172,678 new ordinary shares to be issued in respect of the exercise of the Pacon Manager Warrants. Therefore, 172,678 Pacon Manager Warrants were issued and assigned to Pacon Managers.

Pacon Manager Warrants are (i) issued in paper form; (ii) to bearer; (iii) non-transferable to third parties in the case of inheritance or the execution of a will and (iv) divided into three (3) lots of equal amounts (that is, 1/3 each), all exercisable by December 31, 2025, of which the first is to be exercised with effect from June 7, 2019, the second to be exercised with effect from June 7, 2020 and the third to be exercised from June 7, 2021, with the exception of one Pacon Manager, in relation to which two

(2) lots are divided into equal amounts (that is, 1/2 each) of which, the first is to be exercised with effect from June 7, 2019 and the second is to be exercised with effect

from June 7, 2020. The Pacon Manager Warrants are not listed on any regulated market. The exercise price of each Pacon Manager Warrant is Euro 10.48.

The amount of USD 2,050 thousand to be utilised for subscription to the share capital increase in service of the Pacon Manager Warrants has already been fully paid by the Pacon Managers to an account set up by Fila and these amounts have been recognised by the company to a “*future share capital*” reserve. In the case of exercise of the Pacon Manager Warrants, this reserve shall be fully or partially converted to capital (according to the amount of Pacon Manager Warrants which shall be effectively exercised); where not all of the Pacon Manager Warrants are exercised, the relative amounts paid by the Pacon Managers shall be acquired by the company as paid-in capital contributions.

The information on the above-mentioned Pacon Manager Warrants are summarised in the table below.

	Listed / Non listed	No. of instruments outstanding	Class of shares for conversion/exercise	No. of shares for conversion/exercise
Pacon Manager Warrants	Non-listed	172,678	Ordinary shares	maximum 172,678 ordinary shares

## 2.2 RESTRICTION ON THE TRANSFER OF SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER B), CFA)

At the reporting date, there are no restrictions on the transfer of the ordinary shares of the company.

There are no limits to holding shares of the company, nor any clauses to restrict becoming a shareholder.

We highlight that as part of the Underwriting Agreement, the Issuer assumed the commitment towards the Guarantors, as from November 28, 2018 and up to the 180th day from the closing date of the Share Capital Increase (i.e. December 27, 2018) to refrain, and to ensure that Group companies refrain, from issuing other financial instruments convertible into company shares or, in any case, to give the right to acquire and/or subscribe to company shares or issues of any other instrument having the same effects, even economic effects, of the above-mentioned transactions, without the prior written consent of the Joint Global Coordinators which shall not be unreasonably withheld.

In any case, excluded from the commitments referred to above are the Issuers' share issues arising **(i)** from the Share Capital Increase, **(ii)** from issues to serve the exercise of Sponsor Warrants and **(iii)** from the 2017-2019 Performance Shares Plan.

## 2.3 SIGNIFICANT HOLDINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), CFA)

The ordinary shares of the Company are traded within the management system authorized pursuant to the CFA.

At the Reporting date, the company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.

Based on the information available as per communications pursuant to Article 120 of the CFA, the shareholders which have holdings of above 5% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries, are reported in the table below:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Massimo Candela	Pencil S.p.A.	43.7	65.997
Jacopo Meneguzzo	VEI CAPITAL - Venice European Investment Capital S.p.A.	9.058	5.782
Free float		47.242	28.221
Total		100.00	100.00 <sup>(1)</sup>

#### 2.4 SHARES WHICH CONFER SPECIAL RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER D), CFA)

There are no securities which confer special control rights or securities with special powers pursuant to the regulations and statutory provisions, except for that outlined above with reference to the B Shares at paragraph 2.1.1. of this Report.

As illustrated above, each B Share has the right to three votes pursuant to Article 127-sexies of the CFA at all Shareholders' Meetings of the Company, subject to any legal limitations and confer all rights and obligations indicated at paragraph 2.1.1 of the

<sup>(1)</sup> Following the company's share capital transactions over time, and particularly following the Share Capital Increase, the indicated investments should be considered as diluted as follows:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Massimo Candela	Pencil S.p.A.	32.0	56.598
Jacopo Meneguzzo	VEI CAPITAL - Venice European Investment Capital S.p.A.	9.058	5.782
Free float		58.937	37.620
Total		100.00	100.00

present Report. B Shares are entirely held by Pencil (a company owned by Massimo Candela).

The By-Laws do not contain provisions upon multi-vote shares in accordance with Article 127-*quinquies* of the CFA.

## **2.5 EMPLOYEE SHARE-PARTICIPATION RIGHTS: METHOD FOR THE EXERCISE OF VOTING RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER E), OF THE CFA)**

At the date of the present Report, the Company adopted the 2017-2019 Performance Shares Plan for employees of the Group, as described in the remuneration report prepared in accordance with Article 123-*ter* of the CFA and Article 84-*quater* of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulations and the relative illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the Company website [www.filagroup.it](http://www.filagroup.it) - Governance section. In addition, the Board of Directors which met on March 15, 2019, with the prior favourable opinion of the Remuneration Committee, proposed to the Shareholders' Meeting of the company called to approve the 2018 financial statements, the early termination of the 2017-2019 Performance Shares Plan and the adoption, in substitution, of the "2019-2021 Performance Shares Plan" for Executive Directors, Senior Executives and Senior Managers. For further information on the 2019-2021 Performance Shares Plan reference should be made to the disclosure document prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation as well as the Illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) in the Governance section.

These plans do not provide for the allocation of voting rights to parties other than the relative beneficiaries, nor particular mechanisms for the exercise of the voting right.

## **2.6 VOTING RESTRICTIONS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER F), CFA)**

There are no restrictions on voting rights for holders of ordinary shares and/or B Shares.

## **2.7 SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER G), CFA)**

At the date of this Report, there are no other agreements between shareholders known to the Company pursuant to Article 122 of the CFA. In fact, the Shareholders' Agreement which entered into force on the Effective Merger Date, concluded during the Year.

## **2.8 CHANGE OF CONTROL CLAUSES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER H), OF THE CFA) AND STATUTORY PROVISIONS ON PUBLIC PURCHASE OFFERS (AS PER ARTICLE 104, PARAGRAPH 1-TER AND 104-BIS, PARAGRAPH 1, OF THE CFA)**

The Fila Group has the following significant agreements in place containing a change of control clause.

### **2.8.1 Loan Contract**

On June 4, 2018, the company and the Lending Banks signed the Loan Contract concerning: (i) a multicurrency credit line for a total amount of Euro 150,000 thousand (the "TLA"); (ii) a multicurrency credit line for a total amount of Euro 245,000 thousand



(the "TLB"); (iii) a multicurrency credit line for a total amount of Euro 125,000 thousand (the "TLC"); and (iv) a multicurrency revolving credit line for a total amount of Euro 50,000 thousand (the "RCF").

The Loan Contract is intended to cover financing needs connected to the Acquisition of the Pacon Group, as well as to re-finance the Fila Group's financial debt existing prior to the Acquisition and to support the general financial requirements of the Fila Group on the outcome of the Acquisition of the Pacon Group. Based on the terms and conditions of the Loan Contract, the net income of the Share Capital Increase is entirely destined for the repayment of the TLC's corresponding share. At the reporting date, the total debt of the Fila Group in relation to the Loan Contract amounts to Euro 424.6 million.

The Loan Contract also provides for the Loan's full or partial mandatory early repayment upon the occurrence of certain circumstances; full early repayment cases include the Issuer's "change of control" (that is, where, *inter alia*, Massimo Candela and Alberto Candela cease to control Pencil, or Pencil ceases to hold at least 34% of the Issuer's share capital, or it ceases to be the majority shareholder of the Issuer).

### **2.8.2 Shareholder agreement between FILA and the shareholders di DOMS Industries Pvt Ltd**

The shareholder agreement between Fila and the minority shareholders of DOMS Industries Pvt Ltd (India) envisages a "change of control" situation, in accordance to which, if Massimo Candela ceases to hold (directly or indirectly) at least 50% plus one of Fila Shares or, in any case, to have the right to appoint (directly or indirectly) the majority of the Fila board of directors, Fila must notify the Indian minority shareholders of this occurrence within the subsequent 7 (seven) working days and the latter, in the 30 (thirty) working days subsequent to the communication, have the right (not mandatory) at their discretion, to sell (put options) to Fila (which is obliged to purchase) the full shareholding held by these shareholders in DOMS Industries Pvt Ltd (India) at the change of control date, at a price to be determined according to a formula which varies depending on the time in which the put is exercised. This is essentially intended to recognise the fair market value of the Indian minority shareholders' equity; this shareholder agreement is indefinite and shall remain in force until its express rescission.

### **2.8.3 Statutory provisions in relation to Takeovers**

With reference to the current provisions in relation to purchase public offers, it should be noted that the Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 1-*bis* of the CFA, nor expressly provide for the application of the neutralization rules pursuant to Article 104-*bis*, paragraphs 2 and 3 of the CFA.

## **2.9 POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE**

## **TREASURY SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), CFA)**

### **2.9.1 Share capital increases**

The Shareholders' Meeting of April 27, 2017 permitted the Board of Directors to increase the share capital pursuant to Article 2443 of the Civil Code to service the "2017-2019 Performance Shares Plan" described in the disclosure document prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation and in the relative illustration report prepared in accordance with Article 114-*bis* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) - Governance section.

The Board of Directors which met on March 15, 2019, with the prior favourable opinion of the Remuneration Committee, proposed to the Shareholders' Meeting of the company called to approve the 2018 financial statements, the early termination of the 2017-2019 Performance Shares Plan and the adoption, in substitution, of the "2019-2021 Performance Shares Plan" for Executive Directors, Senior Executives and Senior Managers of the company. In this context, a proposal was made to the Shareholders' Meeting of the company to permit the Board of Directors to increase share capital as per Article 2443 of the Civil Code in service of the 2019-2021 Performance Shares Plan. For further information on the 2019-2021 Performance Shares Plan, reference should be made to the disclosure document prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation as well as the Illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) in the Governance section.

### **2.9.2 Treasury shares**

At the Reporting date, the company does not have treasury shares in portfolio.

At the date of the present Report, the Board of Directors do not have the power to issue financial instruments, nor authorised to purchase or dispose of treasury shares in accordance with Article 2357 and subsequent of the Civil Code.

It should be noted that on March 15, 2019, the Board of Directors of FILA, with the prior favourable opinion of the Remuneration Committee, proposed to the Shareholders' Meeting of the company called for April 18, 2019 to approve an acquisition and disposal plan of company ordinary shares, in order to: (i) carry out possible market interventions in support of the share's liquidity, (ii) set up a reserve of securities to be utilised, in accordance with the company's strategic guidelines, as part of corporate transactions, (ii) to allocate treasury shares in service of bond loans or other debt

instruments convertible into company shares; (iv) to allocate treasury shares in service of any incentive plans for the directors and/or employees and/or collaborators of the Company or of the Fila Group, (v) to offer shareholders an additional tool to monetise their investment, and (vi) to carry out other corporate transactions on share capital. For further information, reference should be made to the illustrative report prepared pursuant to Article 125-*ter* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) - in the Governance section.

## **2.10 MANAGEMENT AND CO-ORDINATION ACTIVITIES (AS PER ARTICLE 2497 OF THE CIVIL CODE)**

The company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

FILA is controlled pursuant to Article 93 of the CFA by Massimo Candela, through Pencil, in which Massimo Candela holds (i) directly 12% of the share capital and, (ii) indirectly, through the companies Wood I S.r.l. and Wood II S.r.l (in which he in turn holds 100% of the share capital), 52.92% of the share capital, and therefore, an overall shareholding of 64.92% of the share capital of Pencil.

The Company considers that Pencil does not exercise management and co-ordination activities, operating on a corporate and business basis independently from the above-mentioned parent company. This is due to the fact that: (i) the Issuer operates fully independently in its relations and dealings with customers and suppliers without any involvement from external parties to the Issuer; (ii) there is no significant operational-organisational link between Pencil and the Issuer; in particular, Pencil does not exercise any centralised treasury function on behalf of the Issuer; (iii) Pencil does not issue directives to its subsidiary, and the principal decisions concerning the business of the Issuer and of its subsidiaries are taken by the corporate boards of the Issuer; and (iv) the Board of Directors of the issuer is responsible, among other matters, for the review and approval of the strategic, industrial and financial plans and the budgets of the Issuer and of the Group.

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The information required by Article 123-bis, paragraph 1, letter i) of the CFA (*“the agreements between the company and directors [...] which provide indemnity in the case of resignation or dismissal from office without just cause or termination of employment following a public purchase offer”*) is illustrated in the Remuneration Report, published as per Article 123-ter of the CFA and Article 84-quater of the Issuers’ Regulation, available in accordance with the provisions of law on the website of the Company [www.filagroup.it](http://www.filagroup.it) - Governance section.

The information required by Article 123-bis, paragraph 1, letter l) of the CFA) relating to the *“applicable regulations concerning the appointment and replacement of directors [...] in addition to the amendment of the By-Laws if differing from applicable law and regulations”* is illustrated in paragraph 4 of the present Report, “Board of Directors”.

### **3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)**

On March 15, 2016, the Issuer adopted the Self-Governance Code published on the website of the Italian Stock Exchange (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>). Where not otherwise specified in this Report, in the year the Issuer adopted all the measures and requirements in order to guarantee the effective implementation by the Company of the recommendations of the Self-Governance Code.

The Issuer, and its subsidiaries, are not subject to laws in force outside Italy which affect the Corporate Governance structure.

### **4. BOARD OF DIRECTORS**

In accordance with current regulations for companies with listed shares on regulated markets, the Board of Directors is central to the governance system of the Company.

#### **4.1 APPOINTMENT AND REPLACEMENT (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER L), CFA)**

The Company is administered by a Board of Directors made up of between 7 and 12 members. The Shareholders' Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise resolved.

All directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions. In addition, in accordance with the legal and regulatory requirements, a number of directors should be independent.

The Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure set out below, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations<sup>2</sup>. The ownership of the minimum holding is established considering the shares which have been registered in favour of the shareholder on the day on which the slates are filed with the Issuer; the relative certification may be produced subsequent to filing of the slates, although within the time period established for the publication.

The slates must be filed at the registered office of the company according to the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the directors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates provide for a number of candidates not below 3 and not above 12, each listed by progressive number. The slates may not be composed of candidates only from the same gender (masculine or feminine); each slate must include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender equality (masculine and feminine), rounded upwards.

The following must be attached to each slate, or else shall be considered as not presented:

- (i) curriculum vitae of the candidates;
- (ii) declarations of the individual candidates, in which they accept their candidature and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations for the office of Director of the Company, including where applicable, declarations on the independence of candidates;
- (iii) the shareholders who have presented the slates and their total shareholding;
- (iv) any other further declaration, disclosure and/or document required by law and applicable regulatory rules.

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<sup>2</sup> For 2017, 2018 and 2019, the holding indicated by Consob for the company is 2.5%.

Individual Shareholders, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

The candidates elected at the end of the voting shall be those on the two slates that have obtained the highest number of votes as follows: (i) from the slate which obtained the highest number of votes (the **“Majority Slate”**), all the directors shall be elected in progressive number, less one; and (ii) from the slate which obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who presented or voted for the Majority Slate (the **“Minority Slate”**) one director shall be elected, being the first candidate indicated on the slate.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the entire Shareholders’ Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the under-represented gender), the elected candidate appearing last on the Majority Slate of the over-represented gender is excluded and will be replaced by the first candidates from the same slate belonging to the other gender. Where it is not possible to implement this replacement procedure in order to guarantee compliance with legal and regulatory provisions concerning gender equality, the non-elected directors will be elected by the Shareholders’ Meeting through ordinary majority, with presentation of candidates belonging to the under-represented gender.

Where the candidates elected do not ensure the number of independent directors as required by applicable regulations, the non-independent candidate(s) elected last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive numbering not elected in the same Majority Slate. Where this procedure does not ensure the required number of independent directors, the Shareholders’ Meeting will elect in accordance with ordinary majority, with presentation of independent candidates.

Where only one slate is presented, the Shareholders’ Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations (rounded upwards where resulting in a fraction).

In the absence of slates, or where only one slate is presented and this slate does not receive the majority of the votes, or where the number of directors elected based on the slates presented is below the number of members to be elected, or where the entire Board of Directors need not be re-elected, or where it is not possible for whatever reason to proceed with the nomination of the Board of Directors with the

above-mentioned procedures, the members of the Board of Directors will be appointed by the Shareholders’ Meeting through ordinary majority, without application of the slate

voting mechanism, subject to the obligation to maintain the minimum number of independent directors established by law and in accordance with applicable law and regulations in relation to gender equality.

The directors are elected for a period, established by the Shareholders Meeting, of not greater than three years from the acceptance of their office and until the date of the Shareholders' Meeting for the approval of the annual accounts for the last year of their appointment.

Where over half the directors appointed by the Shareholders' Meeting resign, the entire Board shall be deemed to have vacated office with effect from the re-appointment of the Board of Directors and the remaining directors must promptly call a Shareholders' Meeting for the appointment of the new Board of Directors.

Where during the year one or more directors elected from the slate which attained the second highest number of votes at the Shareholders' Meeting vacates office, the Board of Directors shall, where possible, co-opt an unelected candidate from the slate of the resigning director, subject to the obligation to maintain the minimum number of independent directors established by law and in accordance with applicable law and regulations in relation to gender equality.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration Board of Directors.

The Board of Directors' meeting of July 6, 2016 approved the motion to confer mandate in order that the guidelines for the succession of Executive Directors of the Company are analysed, with a view to strengthening the organisation of the governance structure of the Company.

## **4.2 COMPOSITION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)**

### **4.2.1 *Members of the Board of Directors***

With the approval of the 2017 financial statements by the Shareholders' Meeting of Fila, the mandate of the Board of Directors appointed with the motion of July 22, 2015, came to a natural conclusion<sup>3</sup>. Therefore, the shareholders' meeting called to approve the 2017 financial statements, appointed the Board of Directors currently in office.

On April 27, 2018, the Shareholders' Meeting of the Issuer approved the increase of the number of Directors to nine, establishing the duration in office of the new Board as three financial years, that is, up to the approval of the 2020 financial statements.

Therefore, nine directors were appointed for the years 2018, 2019 and 2020, based on the two slates filed, respectively:

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<sup>3</sup> The Board of Directors in office up to April 27, 2018, the date of the approval of the 2017 financial statements, comprised: Gianni Mion (Chairman), Massimo Candela (Chief Executive Officer), Luca Pelosin (Executive Director), Alberto Candela, Fabio Zucchetti, Annalisa Barbera, Sergio Ravagli, Francesca Prandstraller and Gerolamo Caccia Dominioni.

- by the shareholder Pencil, owner of 13,133,032 ordinary shares and 6,566,508 B Shares at the submission date of the slates, which obtained 37,818,196 votes, equal to 87.835% of the votes represented at the Shareholders' Meeting and 69.435% of the total voting rights exercisable on this date (**Slate 1**); and
- by a grouping of shareholders formed by asset management companies and other investors<sup>4</sup>, owners of a total of 2,314,235 ordinary shares at the submission date of the slates, which obtained 5,234,729 votes, equal to 12.158% of votes represented at the Shareholders' Meeting and 9.611% of total voting rights exercisable on this date (**Slate 2**).

The following members were elected to the Board of Directors of FILA: Gianni Mion, Massimo Candela, Luca Pelosin, Filippo Zabban, Annalisa Barbera, Sergio Ravagli, Francesca Prandstraller, Paola Bonini<sup>5</sup> and Gerolamo Caccia Dominioni<sup>6</sup>.

On October 5, 2018, Sergio Ravagli resigned from office as a Director and as a member of the Control, Risks and Related Parties Committee of the company. The Board of Directors' meeting of November 13, 2018 replaced Mr. Ravagli by appointing Mr. Alessandro Potestà through co-option as a new Director and member of the Control, Risks and Related Parties Committee. Mr. Potestà shall remain in office until the next Shareholders' Meeting of the company called for April 18, 2019 and which shall, *inter alia*, consider Mr. Potestà's confirmation or the appointment of another person as Director of the company.

The current members of the Board of Directors are:

Office held	Name	Slate
Chairman	Gianni Mion	Slate 1
Chief Executive Officer	Massimo Candela	Slate 1
Executive Director	Luca Pelosin	Slate 1
Director	Filippo Zabban	Slate 1
Director	Annalisa Barbera	Slate 1

<sup>4</sup> Amber Capital Italia SGR S.p.A., manager of the Alpha Ucits Sicav-Amber Equity fund; Aletti Gestielle SGR S.p.A., manager of the Gestielle Pro Italia fund; Amundi Asset Management SGR S.p.A., manager of the following funds: Amundi Dividendo Italia, Amundi Obiettivo Crescita 2022 Due, Amundi Obiettivo Crescita 2022, Amundi Obiettivo Risparmio 2022 Due, Amundi Obiettivo Risparmio 2022 Quattro, Amundi Obiettivo Risparmio 2022 Tre, Amundi Obiettivo Risparmio 2022, Amundi Valore Italia Pir, Amundi Sviluppo Italia and Amundi Risparmio Italia, Arca Fondi S.G.R. S.p.A., manager of the following funds:: Arca Economia Reale Bilanciato Italia 30, Arca Economia Reale Equity Italia and Arca Azioni Italia; Eurizon Capital SGR S.p.A., manager of the following funds: Eurizon Progetto Italia 20, Eurizon Pir Italia 30, Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon Pir Italia Azioni, Eurizon Azioni Pmi Italia and Eurizon Progetto Italia 40; Eurizon Capital S.A., manager of the following funds: Eurizon Fund - Equity Italy and Eurizon Fund - Equity Small Mid Cap Italy; Fideuram Investimenti SGR S.p.A., manager of the following funds: Piano Azioni Italia, Piano Bilanciato Italia 30 and Piano Bilanciato Italia 50; Mediolanum Gestione Fondi SGR S.p.A., manager of the following funds: Mediolanum Flessibile Futuro Italia; Mediolanum International Funds - challenge funds - Challenge Italian Equity; Zenit SGR S.p.A., manager of the following funds: Zenit Obbligazionario and Zenit Pianeta Italia.

<sup>5</sup> Directors drawn from Slate 1.

<sup>6</sup> Sole director drawn from Slate 2.

<b>Office held</b>	<b>Name</b>	<b>Slate</b>
Director	Francesca Prandstraller	Slate 1
Director	Paola Bonini	Slate 1
Director	Gerolamo Caccia Dominioni	Slate 2
Director	Alessandro Potestà	N/A

All the members of the Board of Directors complied with the requisites for good standing pursuant to Article 2 of the Ministry of Justice Regulation No. 162/2000, and enacted in Article 147-*quinquies* of the CFA and there was no eligibility or lapsing of office pursuant to Article 2382 of the Civil Code or, where applicable, Article 148, paragraph 3 of the CFA, as enacted in Article 147-*ter*, paragraph 4 of the CFA. In addition, Directors Alessandro Potestà, Paola Bonini, Filippo Zabban, Francesca Prandstraller and Gerolamo Caccia Dominioni declared their independence in accordance with applicable regulations and the Self-Governance Code.

For further information on the slates filed for the appointment of the Board of Directors on April 27, 2018, reference should be made to the website of the Company [www.fila.it](http://www.fila.it), Governance Section, where the professional curriculum vitae of each director is available.

The table below reports the current members of the Board of Directors in office during the Year. No Directors left office between the close of the financial year and the date of this Report.



Board of Directors													Control, Risks and Related Parties Committee		Remuneration Committee	
Office held	Members	Date of birth	Date of first appoint. *	In office from	In office until	Slate **	Exec.	Non Exec.	Ind. Code	Ind CFA	No. of other offices (***)	(*)	(*)	(**)	(*)	(**)
Chairman	Mion Gianni	1943	October 7, 2013	January 1, 2018	App. Accounts 2020	M					2	13/13				
Chief Executive Officer	Candela Massimo◇	1965	June 1, 2015	January 1, 2018	App. Accounts 2020	M	X					13/13				
Executive Director	Pelosin Luca•	1966	June 1, 2015	January 1, 2018	App. Accounts 2020	M	X					12/13				
Director	Zabban Filippo	1957	April 27, 2018	April 27, 2018	App. Accounts 2020	M		X	X	X		9/10	8/9	M		M
Director	Barbera Annalisa	1969	July 22, 2015	January 1, 2018	App. Accounts 2020	M		X				13/13			7/8	M
Director	Potestà Alessandro	1968	November 13, 2018	November 13, 2018	Next Shareholders' Meeting of the Company	-		X	X	X	4	4/4	1/1	M		
Director	Prandstraller Francesca	1962	July 29, 2014	January 1, 2018	App. Accounts 2020	M		X		X		12/13			8/8	P

Director	Bonini Paola	1967	April 27, 2018	April 27, 2018	App. Accounts 2020	M		X	X	X		10/10	9/9	M	6/6	M
Director	Caccia Dominioni Gerolamo ○	1955	July 22, 2015	January 1, 2018	App. Accounts 2020	m		X	X	X		13/13	9/9	P		
-DIRECTORS RESIGNING DURING THE YEAR-																
Director	Ravagli Sergio	1962	July 22, 2015	January 1, 2018	October 5, 2018	M		X		X		8/8	6/6	M	2/3	M
Director	Zucchetti Fabio	1966	June 1, 2015	January 1, 2018	April 27, 2018	M		X				3/3		M		
Director (Honorary Chairman)	Candela Alberto	1939	July 22, 2015	January 1, 2018	April 27, 2018	M		X				2/3				

Number of meetings held in the Reference Year: 13	Remuneration Committee: 6	Control, Risks and Related Parties Committee 12	
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Article 147 <i>ter</i> CFA): 2.5%			

**NOTE**

The following symbols must be indicated in the “Office” column:

- This symbol indicates the Director in charge of the internal control and risk management system.
  - ◇ This symbol indicates the main person responsible for the Issuer’s operative management (Chief Executive Officer or CEO).
  - This symbol indicates the Lead Independent Director (LID).
- \* The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.
- \*\* This column indicates the slate from which each Director originated (“M”: majority slate; “m”: minority slate; “BoD”: slate presented by the BoD).
- \*\*\*This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
- (\*). This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).
- (\*\*). This column indicates the position of the Director on the Committee: “C”: chairman; “M”: member.

#### **4.2.2 Diversity criteria and policies**

The company has not approved any diversity policies in relation to the composition of the management and control boards with regards to aspects such as age, gender composition and training and professional background.

With regard to the new provision of Article 123-bis, paragraph 2, letter d-bis of the CFA, concerning diversity policies applied by the administration and control boards, it should be noted that the Board of Directors' meeting of March 20, 2019 decided not to adopt any policy, considering that statutory, legal and regulatory provisions, including the Self-Governance Code, in addition to the practice adopted by the shareholders of the company on nominating the members of administration and control boards, already ensure a satisfactory composition of such boards with regard to aspects such as age, gender composition and training and professional backgrounds.

With particular reference to gender diversity, it should be noted that gender quota requirements for directors provided by Article 147-ter, paragraph 1-ter CFA - which determines that the under-represented gender must form at least a third of elected directors - has been fully applied with reference to the composition of the Board of Directors in office, as established at the Shareholders' Meeting of April 27, 2018. A third of the Board of Directors in office is comprised of directors from the under-represented gender, in accordance with application criterion 2.C.3 of the Self-Governance Code.

Furthermore, the company shall also be subject to Article 147-ter, paragraph 1-ter CFA when nominating the Board of Directors once the mandate of the Board of Directors currently in office concludes (and, therefore, at the date of the Shareholders' Meeting for the approval of the financial statements at December 31, 2020). In this meeting, FILA shareholders shall be called to appoint the third Board of Directors of the company since the listing date and therefore, the gender diversity rule provided by Article 147-ter, paragraph 1-ter CFA, as introduced by Law No. 120 of July 12, 2011, shall still be applicable. As envisaged by the Self-Governance Code, the gender diversity criteria required by Article 2.P.4 of the Code should only be applied as from the first mandate subsequent to the termination of the effects of Law No. 120 of July 12, 2011. At the reporting date, the need to adopt the above-mentioned criteria while the law in question is still in force was not, therefore, envisaged.

With reference to diversity in the age, expertise and professionalism of the Board of Directors, on March 20, 2019 the Board carried out its annual assessment, in accordance with Application Criterion 1.C.1. letter g) of the Self-Governance Code, noting the positive opinion resulting from the self-assessment and the correct functioning of the Board of Directors and of the Committees, also in relation to the members of the Board of Directors who possess suitable professionalism, experience and years in service, and also as prescribed by Article 2 of the Self-Governance Code.

[Furthermore, recognising gender diversity's importance in order to ensure the Group's success, the Fila Group has adopted its own policy on diversity, in which the principles of equal opportunity, non-discrimination and meritocracy are set out. In this regard, at December 31, 2018, 47% of Fila Group employees were women and 53% men.]

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

With regard to the assessment of the number of offices of director or statutory auditor held in other listed companies, in financial, banking and insurance companies or companies of a significant size which can be considered compatible with the office of director of Fila, at the meeting of March 20, 2019, the Board of Directors confirmed the following criterion (already approved by the Board of Directors of April 27, 2018):

	Maximum number of offices of director or statutory auditor in other listed companies, in financial, banking and insurance companies or companies of a significant size
Executive Director	3 + FILA
Non-Executive Director	9 + FILA

It is specified that for the purposes of simultaneous positions: (i) only the offices of director or statutory auditor which may be held in other companies listed on regulated markets (including abroad), in banking and insurance companies or of a significant size are taken into account, that is, those having a total value of operations or revenues exceeding Euro 1 billion (hereinafter, "Significant Companies"), (ii) offices held in several Significant Companies belonging to the same group, including the Fila Group, must be considered as a single office, with the predominance of the office having the highest professional commitment (i.e. executive office).

This assessment is undertaken on an annual basis during the disclosures of the offices held by the Directors and, in the event of incompatibility arising, each Director will present to the Board any situations of accumulated offices not compatible which will be assessed on a case by case basis by the Board.

The Board meeting of March 20, 2019, after assessing the offices held by its Directors in other companies, considered that such offices, according to the above criteria, are compatible with those with the company, and also concluded that the composition of the Board is in accordance with the provisions of law and regulations (including with reference to the directors satisfying the expertise and professionalism requirements indicated in Article 2 of the Self-Governance Code).

In relation to the offices held by the Directors of the Issuer, other than within the FILA Group, reference should be made to the table below.

Name	Company in which office held	Office in the company	State
Gianni Mion	Essilor Luxottica	Director	In office
	Prelios S.p.A.	Director	In office
Alessandro Potestà	BOMI S.p.A.	Director	In office
	Sabaf S.p.A.	Director	In office
	Alpitour S.p.A.	Director	In office
	TINEXTA S.p.A.	Director	In office
Massimo Candela	N/A	N/A	N/A
Luca Pelosin	N/A	N/A	N/A
Filippo Zabban	N/A	N/A	N/A
Annalisa Barbera	N/A	N/A	N/A
Francesca Prandstraller	N/A	N/A	N/A
Paola Bonini	N/A	N/A	N/A
Gerolamo Caccia Dominioni	N/A	N/A	N/A

#### 4.2.4 Induction Programme

The Board meetings, for their content and frequency, permits the Directors to receive adequate information on the sector in which the Issuer operates, on the business operations and their performances, on the principles of correct risk management, as well as the relative regulatory framework. In particular, during the Board meetings held at the headquarters of the company, the Directors regularly received detailed information on the sector in which the Issuer undertakes its activities, in order to fully understand the underlying business operations and the relative developments during the year.

Among the explorative activities carried out in the year, we highlight that on April 27, 2018 a meeting was held involving the Directors and Statutory Auditors of FILA in order to provide the Directors and Statutory Auditors appointed by the Shareholders' Meeting of April 27, 2018 with appropriate information on the activities connected to the Acquisition project of the Pacon Group. On this occasion, extensive information was provided on the activities implemented by the company and by the delegated boards in the area of the Acquisition Project, the principal characteristics of the proposed transaction, as well as on the corporate and contractual steps to be carried out for the execution of the Pacon Group's Acquisition.

Furthermore, a meeting was held on July 23, 2018, involving the Directors and Statutory Auditors of FILA in order to provide appropriate information on the principal

characteristics from an economic and legal perspective of the proposed Share Capital Increase operation.

### **4.3 ROLE OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARA. 2, LETTER D OF THE CFA)**

#### **4.3.1 Powers attributed to the Board of Directors**

The Board of Directors is vested with full powers for the ordinary and extraordinary management of the Company, with the authority to perform all acts deemed appropriate to achieve the corporate purpose, excluding only those reserved to the exclusive authority of the Shareholders' Meeting.

The Board of Directors, pursuant to article 2365, paragraph 2, of the Italian Civil Code is furthermore empowered to adopt the following resolutions, without prejudice to the concomitant remit of the Shareholders' meeting: (i) The establishment or closure of branch office; (ii) The reduction of the share capital from a withdrawal; (iii) The amendment of the by-laws in line with new regulatory provisions; (iv) The transfer of the registered office within Italy.

The Board has a central role in operating activities, overseeing the various functions and is responsible for the organisational and strategic guidelines, as well as for verifying the existence of the necessary controls to monitor the performance of the Issuer and the Group.

The remit of the Board includes the review and approval of the strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their implementation.

The Board also defines the corporate governance system of the Issuer and the structure of the Group.

In accordance with regulatory provisions and the Self-Governance Code, the Board reviews and approves the Issuers' and its subsidiaries' operations prior to being carried out, when these operations have a significant strategic, economic, or financial importance for the Issuer, paying particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties.

In relation to this, the Board has not established criteria for the identification of transactions which have significant strategic, economic, equity or financial importance for the Issuer, in that: (i) these transactions, where not within the powers conferred to the Chief Executive Officer are within the remit of the Board; (ii) the Board established this criteria individually for each of the transactions on their approval by the Board of Directors.

This ensures that, with the exception of the powers expressly conferred to the Chief Executive Officer and listed in detail in paragraph 4.4.1 below, the Board of the Issuer reviews and assesses the most significant transactions which guarantees constant monitoring of the operating performance and taking an active part in the principal business decisions.

In relation to the management of conflicts of interest and related party transactions of the Issuer and of the Group, reference should be made to paragraph 12 below.

Pursuant to Article 2381 of the Civil Code and of the application criterion 1.C.1., letter c) of the Self-Governance Code, during the year the Board periodically assessed the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the internal control and risk management system, in accordance with the procedures adopted by the Issuer.

In the undertaking of these activities the Board were assisted, on a case by case basis, by the Control, Risks and Related Parties Committee, the Internal Audit Manager and the Executive Officer, as well as the procedures and verifications implemented in accordance with Law 262/2005.

During the year the Board evaluated on a number of occasions the general operational performance, taking into account, in particular, the information received from the Chief Executive Officer, as well as periodically, comparing the results with the budgets.

On March 20, 2019, the Board carried out its annual assessment, in accordance with Application Criterion 1.C.1. letter g) of the Self-Governance Code, noting the positive opinion resulting from the self-assessment and the correct functioning of the Board of Directors and of the Committees, also in relation to the criteria of Article 2 of the Self-Governance Code.

This assessment process took place in March 2019 and related to the Reference Year and was undertaken by means of a questionnaire sent to all board members. The self-assessment questionnaire was structured in various sections (i.e. size, composition and functioning of the Board, size, composition and functioning of the Internal Committees to the Board, communication between the Board and senior management, corporate governance and governance of the risk) and included the possibility for suggestions and comments. Once completed by all Directors, the Board shared the results of this assessment in the Board meeting of March 20, 2019. For the assessment of its functioning, the Board did not consider it necessary to avail of external consultants of the Issuer.

As of the date of this Report, the Shareholders' Meeting has not authorized any general and pre-emptive departure from the competition restrictions envisaged by Article 2390 of the Italian Civil Code.

#### **4.3.2 Procedures and frequency of board meetings**

The validity of Board motions requires the presence of a majority of its members in office, with motions passed by a majority of those present.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration Board of Directors.

Under Article 12 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

The Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers,



defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 13 of the By-Laws, the Board of Directors meets at the Company's registered office or another location, provided that the latter is within the European Union or Switzerland, whenever the Chairman deems it necessary or whenever a request is made by the Chief Executive Office, if appointed, or by at least two of its members or by the Board of Statutory Auditors.

The calling of the Board of Directors is made by the Chairman or, if absent, by the Chief Executive Officer, with notices to be sent, by letter, telegram, fax or email with proof of receipt, to the domicile address of each director and statutory auditor at least three days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made the day before the date set for the meeting. The meetings of the Board of Directors and its resolutions are valid, even without formal calling, where all the directors and statutory auditors in office are present. In the absence of the Chairman, the chair of the meeting is to assumed by the Chief Executive Officer, if appointed, or failing that the most senior director.

The meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairman and the Secretary, if appointed, are present in the same location and write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairman of the meeting may verify the identity of the participants, direct the course of the meeting and witness and announce the results of the voting; (iii) the person taking the minutes may adequately observe the events of the meeting to be recorded in the minutes; and (iv) participants may participate in the discussion and the simultaneous voting on the matters on the agenda, as well as view, receive or transmit documents.

In this regard, Mr. Fabio Zucchetti was identified as the Secretary of the Board of Directors as from April 27, 2018.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer responsible for the preparation of the financial statements, in accordance with Art. 154-*bis* of the CFA (the **Executive Officer**), granting this person the adequate means and powers for the accomplishment of the tasks assigned.

During the Reference Period, 13 meetings of the Board of Directors were held. The Board met 3 times<sup>7</sup> up to April 27, 2018 (the mandate conclusion date of the Board previously in office) and 10 times<sup>8</sup> after the new Board's appointment.

The meetings were appropriately minuted.

The duration of board meetings were on average approximately 90 minutes.

During 2019, in addition to the meetings already held on February 15, 2019, March 15, 2019 and March 20, 2019 (meetings during which, among other matters, the consolidated financial statements and the draft financial statements for the year-ended December 31, 2018 were approved), 3 further meetings are scheduled to be held by

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<sup>7</sup> On the following dates: February 2, 2018, March 16, 2018 and March 21, 2018.

<sup>8</sup> On the following dates: April 27, 2018, May 7, 2018, May 15, 2018, August 3, 2018, September 10, 2018, October 8, 2018, November 13, 2018, November 21, 2018, November 28, 2018 and December 13, 2018.

the Board of Directors (as per the corporate events calendar communicated to the market and to Borsa Italiana and available on the company website [www.filagroup.it](http://www.filagroup.it), Investor Section) on the following dates: May 14, 2019, August 6, 2019 and November 13, 2019.

During the Reference Year, given an overall percentage equal to 97%<sup>9</sup>, the percentage of each Director's attendance was, respectively: 100% for Gianni Mion, 100% for Annalisa Barbera, 100% for Gerolamo Caccia Dominioni, 100% for Massimo Candela, 92% for Luca Pelosin, 92% for Francesca Prandstraller, 90% for Filippo Zabban, 100% for Alessandro Potestà and 100% for Paola Bonini<sup>10</sup>.

The Chairman of the Board of Directors ensured that the documentation relating to the matters on the agenda was made available to the directors and statutory auditors with sufficient time before the date of each Board meeting. The timeliness and completeness of pre-meeting information is guaranteed by communication of the documentation with an advance of at least 2 days before the date of the meeting of the Board of Directors. This deadline was generally met, except in particularly urgent situations.

In addition, the Chairman of the Board of Directors ensured that sufficient time was provided to the matters on the Agenda in order that all the Directors may contribute, thereby guaranteeing, constructive debate in the Board meetings.

Executives of the Issuer attended Board meetings in order to provide detailed information on matters on the Agenda.

In general, the Chief Executive Officer ensures that the executives are available to

attend Board meetings so that valuable contributions may be made, in particular for the non-executive Directors to acquire adequate information on the operations of the Issuer.

Finally, the Executive Officer for financial reporting also usually attended the Board of

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<sup>9</sup> The percentage refers to the attendance (i) of 9 Board members in office at the 3 meetings held up to April 27, 2018 (Gianni Mion, Massimo Candela, Luca Pelosin, Alberto Candela, Fabio Zucchetti, Annalisa Barbera, Sergio Ravagli, Francesca Prandstraller and Gerolamo Caccia Dominioni), (ii) of nine members in office (Gianni Mion, Massimo Candela, Luca Pelosin, Filippo Zabban, Annalisa Barbera, Sergio Ravagli, Francesca Prandstraller, Paola Bonini and Gerolamo Caccia Dominioni) at the 5 meetings held between April 27, 2018 (incl.) and October 8, 2018 (excl.), (iii) of eight members in office (Gianni Mion, Massimo Candela, Luca Pelosin, Filippo Zabban, Annalisa Barbera, Francesca Prandstraller, Paola Bonini and Gerolamo Caccia Dominioni, taking into account the resignation submitted by Mr. Ravagli on October 5, 2018) at the 2 meetings held on October 8, 2018 and November 13, 2018, and (iv) of nine members in office (Gianni Mion, Massimo Candela, Luca Pelosin, Filippo Zabban, Alessandro Potestà, Annalisa Barbera, Francesca Prandstraller, Paola Bonini and Gerolamo Caccia Dominioni) at the 3 meetings held subsequently and up to the end of the Financial Year.

<sup>10</sup> Percentages are calculated by taking into account that certain directors (notably, Filippo Zabban and Paola Bonini) became members of the Board of Directors on April 27, 2018, as a result of the appointment by the Shareholders' Meeting, while Alessandro Potestà became a member of the Board of Directors on November 13, 2018 following his appointment by cooption. Finally, during the year and, in particular, as from April 27, 2018 (the date on which the Ordinary Shareholders' Meeting renewed the corporate boards), Alberto Candela and Fabio Zucchetti ended their office as directors due to the natural conclusion of their mandate, while Sergio Ravagli resigned from the office of Company Director on October 5, 2018. Taking these events into consideration, the percentage of attendance in Board meetings of those Directors who ceased office during the Financial Year, in respect of the number of meetings they should have attended, are equal to: 67% for Alberto Candela, 100% for Fabio Zucchetti and 100% for Sergio Ravagli.

Directors meetings.

#### **4.4 EXECUTIVE BODIES**

In accordance with the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate, as well as the number of members of the committee and its operating procedures.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record). Representation also rests with the directors who have delegated powers granted by the Board of Directors, with the General Managers, senior management and attorneys-in-fact, within the limits of the powers conferred to them.

##### **4.4.1 Chief Executive Officer and Executive Director**

On April 27, 2018, the Board of Directors appointed Massimo Candela as Chief Executive Officer and Luca Pelosin as Executive Director, assigning to them the respective powers indicated below.

The Chief Executive Officer is the main party responsible for the management of the Issuer. There are no interlocking directorates as per Criteria 2.C.6. of the Self-Governance Code.

##### **(a) Powers of the Chief Executive Officer Massimo Candela**

Attributed to the Chief Executive Officer Massimo Candela are all powers of ordinary and extraordinary administration, to be exercised with separate signature, with the exclusive exception of those concerning the following matters, which, together with those mandatorily provided for by applicable law, remain the exclusive competence of the Board of Directors:

- the approval of consolidated budgets and business plans and amendments and adjustments to the same approved consolidated budgets and business plans;
- the decisions relating to the listing of one of the subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code;
- the decisions relating to the disposal of treasury shares except where carried out under execution of a specific Shareholders' Meeting motion;
- the acquisition, in any capacity and in any form, of investments or of companies or of business units with a value in excess of Euro 1,000,000.00, calculated with reference to 100% of the relative enterprise value, including

any price component dependent on the results of the Company, as well as any conditional or deferred payment;

- the disposals (or other transfers), in any capacity and in any effective form, of investments or of companies or of business units of the Company, with a value (calculated with reference to 100% of its enterprise value, including any price component dependent on the results of the Company, as well as any conditional or deferred payment) per transaction in excess of Euro 1,000,000.00, or together with other transactions over the previous 12 months, in excess of Euro 1,000,000.00;
- The creation of any lien on company assets for single amounts that are in excess of Euro 2,500,000.00, or for amounts which together with other transactions over the previous 12 months are in excess of Euro 5,000,000.00;
- the establishment of subsidiaries, the acquisition of fixed assets, including real estate or real estate companies, in any form, including via financing, with a unitary value in excess of Euro 1,000,000.00, or together with other transactions over the previous 12 months, with a collective value in excess of Euro 5,000,000.00;
- the disposals (or other transfers) of fixed assets, including real estate and real estate companies, in any effective form, which individually exceed the amount of Euro 1,000,000.00, or together with other transactions over the previous 12 months, exceed the amount of Euro 5,000,000.00;
- any corporate restructuring operation, including the establishment or closure of any branches or of any subsidiaries pursuant to Article 2359 of the Italian Civil Code, which carry a cost both for the Company and each of the subsidiaries of the Company, within the meaning of Article 2359 of the Italian Civil Code, in excess of Euro 1,000,000.00;
- the assigning of a remuneration higher than Euro 10,000.00 to any non-executive director of the subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code;
- the approval of share-based incentive plans for executives and employees of the Company and of subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code;
- the undersigning and the execution of any agreement with the majority shareholder or with companies controlled by or connected to this party within the meaning of Article 2359 of the Italian Civil Code not naturally belonging to the F.I.L.A. Group;
- the signing of contracts, and subsequent amendments thereto, concerning the provision of services by third parties to the Company (excluding utilities), including intellectual property license agreements, insurance contracts and leases, of a unitary cost in excess of Euro 1,000,000.00 on an annual basis;

- the assumption by the Company of new third-party financing in unitary amounts in excess of Euro 2,500,000.00, with the express exclusion of:
  - (a) any changes to existing financing, including the issuing of consents and/or revocations, renewals or extensions thereof;
  - (b) the subscription of new credit lines to substitute any credit lines already in place;
  - (c) inter-company loans;
  - (d) loans granted on the submission of invoices or other similar operations.

Also reserved to the exclusive scope of the Board of Directors are the determination of votes and the conferment of powers to participate and vote, in the name and on behalf of the company, in the Shareholders' meetings of subsidiaries pursuant to Article 2359 of the Civil Code for decisions on the following matters:

- (i) Decisions to purchase treasury shares or redeemable shares and authorisation for the disposal of these shares, if the transaction concerns a "*strategic company*", that is, a subsidiary whose revenues in the last year were in excess of 5% of company consolidated revenues;
- (ii) Decisions to authorise (in accordance with applicable law) any member of the board of directors to exercise an activity concurrently with that carried out by the company and/or by any other subsidiary of the company, pursuant to Article 2359 of the Civil Code;
- (iii) Decisions relating to mergers or spin-offs, if the merger or spin-off involves companies in which the company does not directly or indirectly own at least 95% of its share capital or one or more strategic companies;
- (iv) Decisions to transform a subsidiary into another corporate form, to issue warrants, convertible or non-convertible bonds or other financial instruments and to dissolve and place the company into liquidation;
- (v) Decisions to increase the share capital, if the relative amount is in excess of Euro 500,000.00 (inclusive of the share premium);
- (vi) Decisions to reduce the share capital (except for the cases indicated in Articles 2446 and 2447 of the Civil Code and similar provisions envisaged by applicable law) and to create classes of shares and modify rights relating to these shares or other equity instruments, if the relative company involved is one of the strategic companies.

The powers above include the appointment and revocation of general or special attorneys for certain duties.

(b) Powers of the Executive Director Luca Pelosin

Attributed to the Executive Director Luca Pelosin are the roles of head of logistics, of production, of purchasing, of personnel and of information technology and ordinary administrative powers aimed at ensuring the accomplishment of the assigned duties, including, by way of example and without limitation, the following powers, to be exercised with **separate signature**, in compliance with any spending limits and the exclusions set forth below:

- To sign ordinary correspondence and debit and credit notes;
- To collect letters and registered and insured letters, parcels and rail and post parcels, or other dispatches and packages of any kind;
- To provide for customs clearance at any customs office and in particular to sign and submit customs declarations, to make and withdraw deposits from any customs offices, to attend inspections of goods and to provide for their release by performing any other task necessary for the fulfilment of the mandate;
- To carry out all UTIF [Revenue and Excise Office] operations and specifically to sign and to submit relevant statements and to perform any other task necessary for the fulfilment of the mandate;
- To represent the Company in relation to any administrative authorities, public entities or public offices;
- To perform all banking transactions that are not issuances of promissory notes, acceptances of drafts, establishment of pledges, of sureties or of endorsements and so forth and by way of example: to open current accounts also in overdraft and to contract advances;
- To make funds available by signing checks or money orders or by any other means within the limits of Euro 50,000.00 for each individual transaction, as well as within the limits of loans provided by various lenders with joint signature with the Chief Executive Officer Massimo Candela, with Messrs. Stefano De Rosa and Andrea Borgacci or any other legal representative with adequate powers;
- To sign documents relating to imports or exports with banking institutions;
- To demand and collect, for any reason and for any amounts, sums, income, securities, warrants and deposits, whether from the issuer, from the deposits and loans fund, from both provincial and municipal treasuries and accounts offices, from customs, railway offices, post and telegraph offices or generally from any public or private payer, issuing related receipts and releases;
- To represent the Company in any bankruptcy, composition and insolvency proceedings, filing and contending the claims and rights of the Company, and performing any act for their protection, to sign acts of obligation and to proceed with enforcement measures; for the above, to appoint legal representatives;
- To represent the Company at the offices of state and private railways operators, of airline and shipping companies and of other carriers generally and at any government office or stated-owned entity or at any post, telegraph, telephone or customs office for all operations of shipping, clearance and collection of valuables and goods, thereby signing any forms, receipts, releases, discharges and so on, and filing any eventual claims;

- To stipulate, with all opportune clauses, to amend and to terminate, regarding any individual, corporate or public entity, contracts and agreements of any kind and nature for the purchase of raw materials, of semi-finished goods and of the provision of services, both destined for Italy and destined for or from abroad, and in general anything that can form part of the mandate described above; to make intra-Community transactions, to import and/or to export to countries within the European Union and to those outside the European Union, following relevant procedures and signing any documentation or act necessary to this end, including customs documents, intra-state declarations for intra-community transactions and anything else deemed necessary;
- To hire, to transfer, to suspend and to dismiss employees and so to manage personnel in all respects, including to set and to amend conditions, roles, qualifications, categories and grades; to determine the salaries, fees and duties; to stipulate employment contracts or to amend or terminate such contracts; to notify employees of any infractions and impose corresponding disciplinary measures; to administer personnel and so ensure the management and liquidation of wages and severance, to provide for the fulfilment of tax and insurance contributions towards relevant institutions, completing the related forms and making payments and adjustments as required and approved by the provisions in force; to provide for the fulfilment of fiscal and tax compliance to which the Company is bound including the filling out of relevant forms and the making of relevant payments, with the power, among other things, to sign statements, declarations, claims, petitions and any other act; to perform within the powers conferred, all other acts of administration considered appropriate in the interests of the Company; to represent the Company both in Italy and abroad regarding labour relations and related obligations and therefore in relation to states, regions, provinces, municipalities, districts, ministries, labour inspectorates and offices, agencies, sections, national health services, administrative bodies, health units, social security and insurance institutions, banks and financial institutions, central and local governments and financial and tax offices, tax litigation bodies and all other authorities, institutions, central and local administrations, public and private institutions, individuals and corporate and public legal entities, with the broadest of powers, without limitation, and so with the right to put forward declarations, petitions, motions, appeals and oppositions in relation to any administrative authority, sustaining related discussions with all of the above mentioned entities and representing the Company also regarding the definition of related disputes or settlements, nothing excluded or excepted; to represent the Company in relation to trade union organizations of both employers and employees in any location and facility, with the authority to enter into agreements also applying to the entire company and to settle disputes; to represent the Company in relation to conciliation and arbitration boards provided for by union agreements, with the power to settle related disputes; to accept arbitration, appoint arbitrators and conclude arbitration agreements to define labour litigation; to represent the Company in labour disputes, both in court and out of court and in relation to trade unions, to arbitration, to provincial directorates of labour or to similar regional and ministerial bodies and relative conciliation commissions, and also in the case where laws in force provide for the personal appearance of the parties, with the express right to reconcile and to settle, to make and to amend petitions, applications, exceptions

and conclusions, to respond to questioning whether informal or formal, to explain the facts of the case, to propose and to oppose evidence, to intervene in discussions, to participate in reconciliation efforts, to reconcile and to settle disputes, to sign the minutes of non-conciliation, indicating solutions and stating the amount of credit pertaining to the employee, to elect domiciles, to sign and submit documents, to appoint and to dismiss prosecution, defence and technical legal counsel concerning the related subject matter; to perform all that is opportune and necessary, with specific reference to Articles 410, 11, 412 and 420 of the Italian Code of Civil Law, as in the text of Law No. 533 of August 11, 1973; to perform any other act and to act in any situation in the field of labour relations and personnel management considered appropriate in the interests of the Company, including claims for damages to liable third parties and/or to insurers or to indemnifying bodies with the power to settle any disputes.

The powers above include the appointment and revocation of general or special attorneys for certain duties.

The powers relating to the matters excluded from the scope of powers assigned to the Chief Executive Officer Massimo Candela as reserved to the Board of Directors and any other matter exclusively reserved to the Board of Directors in accordance with law are in any case excluded from the powers conferred to the Executive Director Luca Pelosin.

Mr. Luca Pelosin, in addition, at local and Group level has the following responsibilities:

- a) provision of support to the CEO for the drawing up of the strategic guidelines, the consequent business plans and the budget;
- b) supporting the CEO in:
  - a. identifying, developing and managing opportunities on business / equity / corporate / acquisition and integration of industrial and commercial target transactions;
  - b. managing the integration process (e.g. preparation and execution of the integration plan and monitoring of the activities) of the companies under acquisition, or those acquired;
  - c. developing and managing relations with the strategic Key Partners;
- c) supporting the local CEO's, participating at the strategic committees, in developing the business and growth on the local market;
  
- d) oversight on the investment management process, with particular - although not exclusive - focused on industrial asset investments:
  - a. coordinating the process for the formation of the relative long-term budget, approving and monitoring compliance;
  - b. assessing in advance, also over time, individual investment opportunities;



- e) drawing up of an insurance plan for the Group, stipulating the necessary master insurance coverage and supporting the definition of local insurance;
- f) with regards to production, he is responsible for:
  - a. oversight on the production scheduling process;
  - b. coordinating facility operations in order to maximise efficiency, gradually improving technology footprint, performances, safety and - as far as financially and strategically viable - the level of interchangeability and vertical integration;
  - c. approve the production costs set out in the budget, monitoring / approving them constantly against actual figures;
- g) defining the long-term Health, Safety and Environment (“**HSE**”) and Corporate Social Responsibility (“**CSR**”) plans, with regards to the objectives, areas for intervention and use of outside consultants;
- h) in terms of logistics, he is responsible, with the support of the Logistics Manager, for:
  - a. guaranteeing the efficient flow of materials (so as to guarantee the optimal functioning of the production facility and the adequacy of stock levels against working capital objectives) and of finished products (so as to guarantee compliance with the needs of the commercial structures of the individual companies), with particular regard to the European hub;
  - b. guarantee the availability and adequacy of necessary storage spaces for materials and finished products;
  - c. approve the percentage of transport/duty established under the budget, monitoring and approving them constantly against the actual numbers.
- i) in terms of purchases, he is responsible, with the support of the International Procurement VP, for:
  - a. guaranteeing procurement flows to match production needs (both for materials and with regards to production services by third parties), protecting the economic interests of the Group and the sustainability of growth over time;
  - b. define guidelines and targets at Group level in relation to unique and strategic suppliers, periodically monitoring management by the subsidiaries and intervening in the absence of local level alternative;
  - c. qualify and select suppliers of raw materials / materials, coordinating relations in order to ensure product and process innovation at the company to achieve an optimal balance between performance and costs;
  - d. manage the acquisition of patents and know-how;
  - e. approve budget procurements costs, monitoring / approving them

constantly against the actual numbers.

- j) in terms of R&D, he is responsible, with the support of International R&D VP for:
  - a. approving the indications of the International Marketing Officers concerning the creation of new products and the changes to be applied to existing products, on the basis of the perceived needs on the Group's markets;
  - b. propose and manage the Research and Development plan (against that formulated) at Group level, with regards to the following scopes;
    - research and design of new materials and new technical solutions for products;
    - comparative analyses with competitor products in order to improve product efficiency,
  - c. coordinate and supervise the laboratory activities of the companies belonging to the Group;
- k) with regards to quality assurance, product safety & compliance, he is responsible, with the support of the International QA, Product Safety & Compliance VP, for:
  - a. defining, at Group level, the control plans concerning the quality of the raw materials and materials arriving from suppliers, in addition to finished products, carrying out a series of internal laboratory tests, ensuring constant monitoring on the quality of the production of series;
  - b. oversight on the Group certification programmes, including those regarding quality;
  - c. overseeing regulatory developments of interest to the Group (product compliance), supervising the structures tasked with product compliance and quality assurance and approving the control plans, the frequency of internal and external controls and the outside certification bodies;
  - d. testing the industrial feasibility of products under development and the solutions adopted in the design phase;
  - e. ensuring the compliance of FILA products with the quality standards demanded by consumers and the safety measures under domestic, EU and international rules concerning consumer safety;
  - f. focuses on the ongoing improvement of products so that the characteristics of FILA products ensure high safety levels even in the case of abusive utilisation;
- l) provide support, for the areas within his scope, to the International Finance & Corporate Affairs Officer in the preparation of the Group business plan and budget, coordinating with the local Managers;
- m) selects, to the extent of his remit, any external providers and consultants, coordinating operations;

- n) on the basis of the information concerning regulatory developments within his scope, received from the International Legal Affairs department, initiates the existing internal controls to guarantee compliance with the applicable rules;
- o) in terms of HR
  - a. defines at Group level salary and incentive policies, in addition to professional development programmes and - where necessary - retention policies;
  - b. supports the CEO in preparing the remuneration policy with reference to the qualitative objectives;
  - c. prepares, updates and circulates the organisation structure and job description approved by the CEO, verifying consistency between the powers and roles assigned within the organisation;
  - d. guarantees central control over the hiring and employee and executive personal development process;
  - e. participates in the Group key resources selection process;
  - f. supports the CEO in developing the organisational structure of the company and of the Group, the responsibilities assigned to the frontline employees and the powers assigned to them, ensuring timely updates in relation to altered conditions and business needs. In this context, defines the procedural system, submitting for approval the Group policies to the CEO and the Group procedures to the International Officer responsible, with the responsibility to create a “culture of compliance” in protection of the integrity and image of the entire Group;
  - g. is responsible for the implementation of the personnel management and development policies, in particular the definition and management of the assessment and training processes and instruments;
  - h. drafts reports on personnel, monitoring the information flows received from the individual subsidiaries;
  - i. approves the personnel budget, monitoring / approving it constantly against the actual numbers;
  - j. receives information upon the changes to the situation and approves non-budgeted funding;
  - k. provides support, to the extent of his remit, to the International Finance & Corporate Affairs Officer for the preparation of the Group business plan and budget, coordinating with the local Human Resources Managers;
  - l. selects, to the extent of his remit, any external providers and consultants, coordinating operations;
  - m. on the basis of the information concerning regulatory developments within his scope of responsibility, received from the International Legal Affairs department, initiates the existing controls in order to ensure compliance with the applicable rules;

p) with regards to IT

- a. supervises the execution of the strategic guidelines set by the Board of Directors and the transformation agenda;
- b. verifies that the strategy and the IT services are in lined with business needs, anticipating long-term requirements with a view to the improvement and efficiency of the organisational processes;

In addition, with motion of April 27, 2018, Mr. Luca Pelosin was granted powers relating to his position as employer at the office of Pero (MI), as per Article 2, paragraph 1, letter b) of Legislative Decree 81/08.

#### **4.4.2 Honorary Chairman**

According to Article 12.5 of the By-Laws, on the proposal of one or more shareholders representing at least 20% of the share capital, the Shareholders' Meeting may proceed to appoint a Chairman with honorary functions, entitled the "Honorary Chairman", selected from among persons of high standing and who have contributed to the establishment, success and/or growth of the Company. The Honorary Chairman may also be appointed from outside the members of the Board of Directors; in such case the Honorary Chairman may remain in office longer than the term of the Board of Directors. The Honorary Chairman, where not a director of the board, may participate at meetings of the Board of Directors and the Shareholders' Meetings exclusively to express assessments and non-binding opinions on matters dealt with by the Board of Directors or by the shareholders, and may represent the Company on the basis of special powers of attorney issued in writing by the competent corporate boards. The Board of Directors shall determine any fees or any other remuneration and/or reimbursement of expenses due to the Honorary Chairman.

On April 27, 2018, the Shareholders' Meeting of the company passed a motion, on the proposal of Pencil, to appoint Mr. Alberto Candela as the Honorary Chairman of the company for three financial years (that is, until the approval of the 2020 financial statements).

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

On April 27, 2018, Gianni Mion was appointed Chairman of the Board of Directors.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record).

As of the date of this Report, the Chairman of the Board of Directors has not been granted executive management powers, does not have a specific role in terms of corporate strategic planning and is not the chief executive officer or the controlling shareholder of the Issuer.

#### **4.4.4 Executive Committee**

Under Article 12.2 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

Pursuant to Article 2389 of the Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting.

At the reporting date, an Executive Committee had not been established.

#### **4.4.5 Reporting to the Board of Directors**

During the year, the Chief Executive Officer and the Executive Director reported adequately and in a timely manner, at least on a quarterly basis, to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred and in a manner to permit the Board to express in an informed manner on the matters under examination.

Furthermore, given the specific significance of the Pacon Group Acquisition transactions and the Share Capital Increase, the executive boards referred the principal activities to the first possible meeting of the Board, concerning the above transactions carried out in the exercise of their powers, also providing the Board with ongoing updates on the transaction's developments.

#### **4.5 OTHER EXECUTIVE DIRECTORS**

As of the date of this Report, beyond the Chief Executive Officer and the Executive Director, no other directors have been attributed delegated duties.

#### **4.6 INDEPENDENT DIRECTORS**

Pursuant to the combined provisions of Articles 147-ter, paragraph 4, and 148, paragraph 3, of the CFA and in accordance with the requirements of Article 2.2.3, paragraph 3, letter m) of the Borsa Italiana Regulation and Article IA.2.10. 6 of the Instructions to the Borsa Italiana Regulation, three independent directors currently hold office on the Board of Directors, in the persons of Alessandro Potestà, Paola Bonini, Filippo Zabban, Francesca Prandstraller and Gerolamo Caccia Dominioni.

The Board of Directors assesses the existence and permanence of the requirements above, also applying all the criteria as per the Self-Governance Code (application criteria 3.C.1 and 3.C.2) on the basis of the information that the parties are required to provide under their own responsibility, or of the information available to the Board of Directors.

With reference to the Board of Directors in office, we highlight that during the meetings of April 27, 2018, the Board assessed the independence of the Directors Francesca Prandstraller, Gerolamo Caccia Dominioni and Paola Bonini, in accordance with the CFA and the Self-Governance Code<sup>11</sup>. In the meeting of November 13, 2018, following the

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<sup>11</sup> In the same meeting, the Board of Directors also assessed the independence of Mr. Sergio Ravagli, in accordance with the CFA and the Self-Governance Code. We point out that Mr. Ravagli subsequently

appointment by co-option, the Board of Directors ascertained the independence of the Director Alessandro Potestà, in accordance with the CFA and the Self-Governance Code. Subsequently, on December 13, 2018, as a result of a new assessment and on the basis of information available to the company on this date, the Board of Directors ascertained the independence in accordance with applicable law and the Self-Governance Code, of Director Filippo Zabban, also confirming the satisfaction of these requirements for Director Paola Bonini.

Finally, it should be noted that during the meeting of March 20, 2019, the Board carried out the necessary checks on the fulfilment of the independence requirements of the afore-mentioned directors. The outcome of these assessments was positive.

The Board of Statutory Auditors confirmed the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

No Independent Directors' meetings were held during the year. This is because Independent Directors had numerous occasions to discuss the principal issues concerning the company, without the need to call a specific *ad hoc* meeting. In fact, the Control, Risks and Related Parties Committee exclusively comprises Independent Directors and is chaired by the lead independent director. This has ensured that Independent Directors are always involved in the decision-making process concerning the most significant choices underlying the company's activity during the Financial Year.

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

On April 27, 2018, the Board of Directors approved the appointment of Director Gerolamo Caccia Dominioni as a lead independent director. This choice is essentially based on the acknowledgement of the usefulness of the lead independent director's role in providing the company with a balanced governance system, which enhances the contribution of non-executive and independent directors. In accordance with the provisions of the Self-Governance Code, the Lead Independent Director was tasked with the duties of collecting and coordinating the petitions and contributions of non-executive directors, in particular of the independent directors, as well as working with the Chairman of the Board of Directors to ensure that directors receive adequate and timely information and may call meetings of the independent directors to discuss the functioning of the Board and corporate operations.

During the Reference Year, the considerations suggested by the independent directors mainly related to ensuring:

- (i) the continual improvement of the governance level, as well as the corporate structure, also in view of the growth and expansion of the Group;
- (ii) the constant and attentive monitoring of any critical issues arising within the business operations.
- (iii) ongoing monitoring of the state of advancement of the Group DNA - SAP project;

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resigned from the office of company director, and was substituted by Mr. Potestà, a director who is equally independent.

Among the initiatives suggested to the Board of Directors by the Lead Independent Director and the other independent directors for Reference Year, of particular relevance, are those aimed at: ensuring the effective and correct implementation of all the necessary procedures in place to identify in advance all operations which are subject to approval by the Committees.

#### **4.8 GENERAL MANAGER**

As of the date of this Report, the Board of Directors has not appointed any General Manager.

#### **5. PROCESSING OF CORPORATE INFORMATION**

The Company has adopted the following procedures:

- (i) inside information processing policy; and
- (ii) internal dealing code of conduct.

Both documents are available on the company website at [www.filagroup.it](http://www.filagroup.it) in the Governance section.

#### **6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)**

In the meeting of April 27, 2018, following the Shareholders' Meeting appointing the new Board of Directors, the Board decided to set up the following Internal Committees to the Board of Directors:

- (i) The Control, Risks and Related Parties Committee, whose members were appointed by motions of the Board of Directors of April 27, 2018 and November 13, 2018;
- (ii) The Remuneration Committee, whose members were appointed by motions of the Board of Directors of April 27, 2018 and December 13, 2018.

The Board did not consider it necessary to set up an Appointments Committee, as recommended by Article 5.P.1. of the Self-Governance Code, as not considered necessary in consideration of the structure of the Group and of the shareholder base of the Issuer.

#### **7. REMUNERATION COMMITTEE**

##### **7.1 COMPOSITION AND OPERATION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)**

In accordance with Article 2.2.3., paragraph 3, letter o) of the Stock Exchange Regulation, applicable to the issuers with shares traded on the MTA, STAR segment, as well as in accordance with the provisions of Article 6 of the Self-Governance Code, the Board of the company set up a Remuneration Committee.

The Remuneration Committee was set up on April 27, 2018 by Board of Directors' motion.

The current Remuneration Committee is comprised of the following Non-Executive Directors, the majority of whom independent<sup>12</sup>:

<b>Name</b>	<b>Office</b>
Francesca Prandstraller (Chairman)	Independent Director
Paola Bonini	Independent Director
Filippo Zabban	Independent Director
Annalisa Barbera (*)	Non-Independent Director

(\*) Person with adequate financial and remuneration policy knowledge and experience, as assessed by the Board of Directors meeting of April 27, 2018.

The meetings of the Remuneration Committee are coordinated by its Chairman and minutes of the meetings are kept. In this regard, the Secretary of the Remuneration Committee, Mr. Fabio Zucchetti, was appointed as from May 15, 2018.

The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

During the Reference Year, the Remuneration Committee met 6 times. In particular, the Committee met 2 times<sup>13</sup> until the mandate conclusion date of the Board previously in office and 4 times<sup>14</sup> after the appointment of the new Board. The Chairman of the Board of Directors of the company has always attended these meetings.

The average duration of the Remuneration Committee meetings was approx. 45 minutes.

In the Reference year, against a total attendance level of approx. 96%,<sup>15</sup> the attendance of each Director was respectively equal to: 100% for Francesca Prandstraller, 88% for Annalisa Barbera and 100% for Paola Bonini<sup>16</sup>. Mr. Filippo Zabban was appointed Committee member on December 13, 2018 and did not therefore attend any Committee meeting held during the Reference Year.

At least one member of the Board of Statutory Auditors attended the Remuneration Committee meeting.

In 2019, 5 meetings of the Remuneration Committee have already been held on the following dates: January 16, 2019, February 4, 2019, February 19, 2019, February 26, 2019 and March 15, 2019. Another 4 meetings are expected by the end of the year.

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<sup>12</sup> Up to the Board of Directors' renewal on April 27, 2018, the Remuneration Committee in the Reference Year comprised Francesca Prandstraller (Chairperson), Sergio Ravagli and Annalisa Barbera.

<sup>13</sup> On the following dates: February 2, 2018 and March 16, 2018.

<sup>14</sup> On the following dates: May 15, 2018, September 19, 2018, November 13, 2018 and December 13, 2018.

<sup>15</sup> The percentage refers to the attendance (i) of three Committee members in office in the 2 meetings held up to April 27, 2018 (Prandstraller, Barbera and Ravagli) and (ii) of the members in office in the remaining 6 meetings held subsequently during the Year (Prandstraller, Barbera and Bonini).

<sup>16</sup> Percentages are calculated by taking into account that Ms. Paola Bonini became a member of the Board of Directors and the Remuneration Committee on April 27, 2018, as a result of the appointment by the Shareholders' Meeting. Mr. Sergio Ravagli, as Committee member up to April 27, 2018, attended 100% of Committee meetings held in the Reference Year prior to this date.



In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter o) of the Stock Exchange Regulations - applicable to the issuers with shares traded on the MTA, STAR segment - and application criterion 6.C.6 of the Self-Governance Code, no director takes part in the meetings of the Remuneration Committee in which the proposals to the Board of Directors relating to their remuneration is being discussed. Mr. Pelosin participated in certain Remuneration Committee meetings for the sole purpose of contributing to the discussion on the review of qualitative and quantitative objectives underpinning the new remuneration schemes described in the Remuneration Report.

## **7.2 REMUNERATION COMMITTEE DUTIES AND ACTIVITIES**

The Remuneration Committee assists the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration policy of directors and key management personnel.

This committee guarantees the broadest scope of information and transparency on the remuneration of the Executive Directors, as well as the manner for determining their remuneration. In conformity with Article 2389, paragraph 3 of the Civil Code, the Remuneration Committee has solely the function of presenting proposals while the power of determining the remuneration of the senior directors remains with the Board of Directors, having consulted the Board of Statutory Auditors.

In particular, in accordance with the combined provisions of Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulations - applicable to the issuers of shares traded on the MTA, STAR segment and application criterion 6.C.5 of the Self-Governance Code, the duties of the Remuneration Committee are as follows:

- a) periodically evaluates the adequacy, the overall compliance and the application of the remuneration policy of directors and senior managers with strategic responsibilities, utilising for this latter issue the information provided by the Chief Executive Officers; draws up for the Board of Directors related proposals;
  
- b) presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other senior directors as well as establishing the performance objectives related to the variable component of this remuneration; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
  
- c) reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting for presentation of the Annual Financial Statements; and
  
- d) it carries out additional duties assigned by the Board of Directors;

The role, composition and functioning of the Remuneration Committee is governed by a specific regulation approved by the Board on October 7, 2015 (and as latterly amended on December 13, 2018).

The work of the Remuneration Committee is coordinated by its Chairman, chosen from among the independent members of the Committee. In particular, the Chairman

organizes and coordinates the activities of the Committee and directs the activities of the relative meetings. Motions of the Committee are passed by absolute majority; in the case of parity, the chairperson's vote decides.

In the undertaking of their functions, the Remuneration Committee may access all information and departments necessary for the undertaking of their duties as well as utilize external consultants, within the terms established by the Board of Directors.

In the meeting of May 15, 2018, the Board of Directors approved an annual budget of Euro 10,000 to the Remuneration Committee for the performance of its duties.

During the Reference Year, the Remuneration Committee drew up proposals, to be submitted to the Board of Directors, concerning: (i) the Remuneration Policy for - among others - the Executive Directors and the remuneration report; (ii) the remuneration of the Chief Executive Officer and of the Executive Director, for which reference should be made to the remuneration report prepared in accordance with Article 123-*ter* of the CFA and Article 84-*quater* of the Issuers' Regulation, available on the company website [www.filagroup.it](http://www.filagroup.it), in the Governance section and the Committee also verified that the remuneration of the Executive Directors relating to the year were in compliance with the commitments undertaken, the responsibilities of the offices held as well as their professional qualifications. (iii) the assigning of the "Extraordinary Bonus" and the "Performance Share Plan", the inclusion and removal of senior executives and "Senior Managers"; (iv) the remuneration of the Honorary Chairman; (v) the remuneration to be assigned to the Internal Committees to the Board of Directors; (vi) the identification of independent advisors in relation to the remuneration policy.

## **8. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES**

Pursuant to Article 15.1 By-Laws, members of the Board are entitled to a fixed annual fee that is wholly determined by the shareholders' meeting and distributed by the Board itself among its members, in addition to the provisions of Art. 2389 of the Civil Code for Senior Directors, as well as the reimbursement of expenses incurred by them in the course of their duties.

The Shareholders' Meeting of the company of April 27, 2018 approved the remuneration to be assigned to the Board of Directors for the entire duration of mandate (i.e. until the approval of the 2020 financial statements), amounting to an annual total of Euro 230,000.00. On the same date, the Board of Directors approved the apportionment of the total annual remuneration as follows: (i) a gross annual emolument of Euro 15,000.00 to each director (excluding the Chairman of the Board of Directors) and (ii) a gross annual emolument of Euro 110,000.00 to the Chairman of the Board of Directors.

In addition, the Board of Directors of May 15, 2018 approved, on the proposal of the Remuneration Committee, and with the prior favourable opinion of the Control, Risks and Related Parties Committee and the Board of Statutory Auditors, the assignment of (i) a gross annual emolument of Euro 170,000.00 to the Honorary Chairman; (ii) a gross annual emolument of Euro 6,000.00 to each member of the Control, Risks and Related Parties Committee (excluding the Chairman) and a gross annual emolument of Euro 37,000.00 to the Chairman and, finally, (iii) a gross annual emolument of Euro 6,000.00

to each member of the Remuneration Committee (excluding the Chairperson) and a gross annual emolument of Euro 12,000.00 to the Chairperson.

On March 16, 2018, the Board of Directors approved: (i) the qualitative objectives for the variable remuneration of the Executive Directors with regards to financial year 2018; and (ii) the establishment of the amount of variable remuneration of the Executive Directors for financial year 2017.

The Board of Directors of March 15, 2019, with the prior favourable opinion of the Remuneration Committee, proposed to the Shareholders' Meeting of the company, called to approved the 2018 financial statements, the early termination of the 2017-2019 Performance Shares Plan and the adoption, in substitution, of the "2019-2021 Performance Shares Plan" for Executive Directors, Senior Executives and Senior Managers of the company. In this respect, on March 20, 2019, the Board of Directors, *inter alia*, approved: (i) the short and medium/long-term qualitative objectives for the variable remuneration of Executive Directors; and (ii) the establishment of the amount of the medium/long-term (with reference to the 2016-2018 three-year period) and the short-term (with reference to the year 2018) variable remuneration of Executive Directors.

For information on the remuneration policy adopted by the Issuer and the remuneration of the members of the Board of Directors and senior executives for the Reference Year, reference should be made to the Remuneration Report prepared pursuant to Article 123-*ter* of the CFA and 84-*quater* of the Consob Issuer's Regulation available within the terms required by law on the internet site of the Company at [www.filagroup.it](http://www.filagroup.it) in the Governance section.

For information on the 2017-2019 Performance Shares Plan approved by the Shareholders' Meeting of April 27, 2017 and which will be terminated early, with the approval of the Shareholders' Meeting called to approve the Fila financial statements for the year 2018, reference should be made to the disclosure document prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation as well as the Illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) in the Governance section.

For information on the 2019-2021 Performance Shares Plan which the Board of Directors, on March 15, 2019, on the proposal of the Remuneration Committee, resolved to submit for the approval of the Shareholders' Meeting of the company called to approve the Fila financial statements for the year 2018, reference should be made to the disclosure document prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation as well as the Illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the company website [www.filagroup.it](http://www.filagroup.it) in the Governance section.

## **9. INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT MANAGER AND THE EXECUTIVE OFFICER**

In relation to the incentives for the Executive Officer, such are in line with the responsibilities assigned. There are no incentive mechanisms for the Internal Audit Manager.

## **10. CONTROL, RISKS AND RELATED PARTIES COMMITTEE**

### **10.1 COMPOSITION AND FUNCTIONING (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)**

In accordance with the combined provisions of Article 2.2.3., paragraph 3, letter p) of the Stock Exchange Regulation, applicable to issuers with shares traded on the Italian Stock Exchange, STAR segment, and Article 7.P.4 of the Self-Governance Code, the Board of Directors internally set up a Control and Risks Committee, to which the Board, on April 27, 2018, also decided to assign the duties of related parties committee<sup>17</sup>.

The Control, Risks and Related Parties Committee, established on April 27, 2018 by a specific motion of the Board of Directors, comprises the following non-executive and independent directors:

NAME	OFFICE HELD
Gerolamo Caccia Dominioni (Chairman) (*)	Independent Director
Filippo Zabban	Independent Director
Paola Bonini	Independent Director
Alessandro Potestà	Independent Director

(\*) Person with adequate accounting, financial and risk management knowledge and experience, as reviewed by the Board of Directors meeting of April 27, 2018.

In the Reference Year: (i) the meetings of the Committee were coordinated by its Chairman and minutes of the meetings were kept; (ii) the Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting; (iii) the Chairman of the Board of Directors attended all Committee meetings. In this regard, the Secretary of the Committee, Mr. Fabio Zucchetti, was appointed as from May 15, 2018.

The role, composition and functioning of the Control, Risks and Related Parties Committee is governed by a specific regulation approved by the Board and latterly amended on May 15, 2018, to reflect the powers concerning transactions with related parties assigned to the Committee by the Board of Directors of April 27, 2018. Motions of the Committee are passed by absolute majority; in the case of parity, the chairperson's vote decides.

At least one member of the Board of Statutory Auditors attended the Committee meeting.

The Committee met 12 times during the Reference Year. In particular, the Committee met 3 times<sup>18</sup> until the mandate conclusion date of the Board previously in office and 9 times<sup>19</sup> after the appointment of the new Board. The duration of Committee meetings was approx. 110 minutes.

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<sup>17</sup> Previously, the Board had set up two separate internal Committees which respectively performed the functions of Control and Risks Committee and Committee for Transactions with Related Parties.

<sup>18</sup> On the following dates: January 26, 2018, March 16, 2018 and March 21, 2018.

<sup>19</sup> On the following dates: May 7, 2018, May 15, 2018, June 5, 2018, June 26, 2018, July 23, 2018, August 3, 2018, October 23, 2018, November 13, 2018 and December 13, 2018.

During the Reference Year, with an overall attendance level at Committee meetings of approx. 98%<sup>20</sup>, the attendance of each Committee member was respectively equal to: 100% for Gerolamo Caccia Dominioni, 89% for Filippo Zabban, 100% for Alessandro Potestà and 100% for Paola Bonini<sup>21</sup>.

Finally, 4 meetings of the Control, Risks and Related Parties Committee have already been held in 2019 on the following dates: February 4, 2019, February 15, 2019, March 15, 2019 and March 20, 2019. Another 6 meetings are expected by the end of the year.

## **10.2 DUTIES ATTRIBUTED TO THE CONTROL, RISKS AND RELATED PARTIES COMMITTEE AND ACTIVITIES PERFORMED**

### Duties concerning control and risks

The Committee shall assist the Board of Directors through investigative, proposal and consultation duties, evaluations and decision-making concerning the internal control and risks management system and also in relation to the approval of the interim financial reports.

In particular, in accordance with the combined provisions of Article 2.2.3, paragraph 3, letter p) of the Stock Exchange Regulations - applicable to the issuers of shares traded on the MTA, STAR segment and application criterion 7.C.2 of the Self-Governance Code, the duties of the Committee are as follows:

- i) evaluate, together with the Executive Officer, and having consulted with the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the preparation of the consolidated financial statements;

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<sup>20</sup> The percentage refers to the attendance (i) of three Committee members in office in the 3 meetings held up to April 27, 2018 (Caccia Dominioni, Ravagli and Zucchetti) and (ii) of four members in office (Caccia Dominioni, Bonini, Zabban and Ravagli) in the 4 meetings held from April 27 up to October 5, 2018 (the date on which Mr. Ravagli resigned with immediate effect from the office of director and member of the internal committees to the Board of Directors of the company); (iii) of three members in office (Caccia Dominioni, Bonini and Zabban) in the 2 meetings held from October 5, 2018 up to November 13, 2018 (the date of Mr. Potestà's cooption as independent director of the company and his appointment as member of the Committee) and (iv) of four members in office in the remaining meetings held subsequently (Caccia Dominioni, Bonini, Zabban and Potestà).

<sup>21</sup> Percentages are calculated by taking into account that Ms. Paola Bonini and Mr. Filippo Zabban became members of the Board of Directors on April 27, 2018, as a result of the appointment by the Shareholders' Meeting, while Mr. Alessandro Potestà became a member of the Board of Directors and of the Committee following his appointment as independent director of the company on November 13, 2018. Mr. Fabio Zucchetti, as Committee member up to April 27, 2018, attended 100% of Committee meetings held in the Reference Year prior to this date. Mr. Sergio Ravagli, as Committee member up to October 5, 2018, attended 100% of Committee meetings held in the Reference Year prior to this date.

- ii) defines the control mechanisms to verify compliance with the duties allocated and periodically monitors their functioning, reporting in a timely manner any irregularities to the Board of Directors;
- iii) expresses opinions on specific aspects concerning the identification of the main corporate risks;
- iv) examines the periodic reports, concerning the assessment of the internal control and risk management system, and those of particular importance, prepared by the Internal Audit Department;
- v) monitors the independence, adequacy, efficacy and efficiency of the internal audit department;
- vi) may request the internal audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors;
- vii) reports to the Board, at least every six months, on the approval of the annual and half-yearly accounts, on the work carried out and the adequacy of the internal control and risk management system;
- viii) it carries out additional duties assigned by the Board of Directors;

The Committee also has the duty to assist the Board of Directors in executing duties concerning:

- (a) defines (for the Board) the guidelines of the internal control and risk management system, so that the main risks connected to the Issuer and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, in addition to determining the criteria of compatibility of these risks in line with the strategic objectives of the company;
- (b) evaluates at least annually, the compliance of the internal control and risk management system with the particular characteristics of the company and the risk profile assumed;
- (c) approval, at least on an annual basis, of the work plan drawn up by the internal audit manager, after consultation with the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
- (d) description (for the Board) in the corporate governance report, of the main characteristics of the internal control and risk management system, expressing its assessment on its overall adequacy;
- (e) evaluates (for the Board), after consultation with the Board of Statutory Auditors, the results of the independent audit firm's letter of recommendations and of the report on fundamental questions arising during the audit of the accounts;
- (f) nominates and revokes (for the Board) the internal audit manager; ensures adequate resources for the internal audit department in relation to the responsibilities defined (by the Board) and determines the remuneration of the internal audit manager in line with the company's policies.

The Committee is also required to support, with appropriate investigative activities, the evaluations and decisions of the Board of Directors concerning the management of risks deriving from events of which the Board of Directors has become aware.

#### Duties concerning transactions with related parties

The Committee has the duty to undertake activities concerning transactions with related parties under the company's Procedure for Transactions with Related Parties, with regard to “minor transactions” or “significant transactions”. For information on the Procedure, reference should be made to the documentation available of the Issuer's website at [www.filagroup.it](http://www.filagroup.it), Governance section.

The Committee may access all information and departments necessary for the undertaking of their duties, as well as utilising outside consultants, as per the Procedure. The Committee may avail of, for execution of its duties, means and structures of the company. The company may make available to the Committee the funding necessary for the execution of its duties and established by the Board of Directors.

#### Committee activities

In the Reference Year, the Committee assessed the correct utilization of accounting standards and their uniformity in the preparation of the financial statements for the period and undertook a constant review (i) of the advancement of the projects for the review of Group organisation systems and models, with particular reference to progress on activities relating to the integration process of the SAP system as a Group management system and of the entry into operation of the new European logistics centre, (ii) of the internal control and risk management system as well as in this context, (iii) the review of the proposal for the appointment of the Internal Audit Manager and the progress of the 2018 audit plan and the compliance controls undertaken in accordance with Law 262/2005 and Legislative Decree No. 231/2001; (iv) of the progress made in drawing up the non-financial statement by the competent corporate boards; (v) of the advancement of the Pacon Group integration project; (vi) of the situation on the dealings and transactions with related parties, and expressing its opinion on the completion of these transactions; (vii) of the corporate work performed to ensure the Issuer's compliance with Regulation EU 679/2016 on Personal Data Protection; and (viii) of the satisfaction of independence requirements for certain members of the Board of Directors.

During the meetings held the Committee also discussed and approved the most appropriate initiatives in relation to its own remit and functions, within a progressive improvement of the internal control and risk management system in order to ensure maximum efficiency and security of the system.

The meetings of the Control, Risks and Related Parties Committee were occasionally undertaken simultaneously with the meetings of the Board of Statutory Auditors of the Issuer and in the presence of the members of the Board of Statutory Auditors and, where necessary for the discussion of items on the agenda, of the Executive Officer and the internal audit manager and, at times, also with the participation of a representative from the independent audit firm. The presence of these control and oversight bodies permitted the communication and discussion of the principal aspects relating to the identification of the business risks. The above parties attended the meetings of the Control, Risks and Related Parties Committee on the invitation of Mr. Caccia Dominioni, the Chairperson of the Committee.

In the Reference Year, the Control, Risks and Related Parties Committee had full access to the information and to the corporate functions necessary for the carrying out of its remit.

Finally, in the meeting held on May 15, 2018, the Board of Directors approved an annual budget of Euro 10,000 to the Control, Risks and Related Parties Committee for the performance of its duties.

#### **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARA. 2, LETTER B) OF THE CFA)**

The Internal Control and Risk Management System is the set of rules, procedures and organizational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct management consistent with the established goals.

An effective internal control and risk management system contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of business operations, the reliability of financial reporting and compliance with laws and regulations.

On October 7, 2015, for the purpose of filing an application for the listing of the ordinary shares of FILA on the MTA market, STAR segment, and for the subsequent delisting from the MIV market, the Board of Directors approved the adoption of the Internal Control and Risk Management System.

This system, which was fully implemented in the Reference Year, allows managers to have on a regular and timely basis a sufficient overview of the economic and financial situation and risks of the Company and of the main companies of the FILA Group and soundly and correctly facilitates: (i) the monitoring of the main key performance indicators and risk factors that relate to the Company and to the main Group

companies; (ii) the collection of data and information with particular reference to financial information, in adequate quantities for analysis according to type of business activity, organizational complexity and specificity of the information needs of management; (iii) the development of prospective financial data for the business plan and the budget, as well as for the verification of the meeting of business objectives through an analysis of variances.

The Board of Directors, which guides and evaluates the adequacy of the Internal Control and Risk Management System, in the course of 2018, following the opinion of the Control, Risks and Related Parties Committee:

- (i) oversee the definition of the guidelines for the Internal Control and Risk Management System, so as the main risks regarding the Issuer and its subsidiaries (including the risks which may assume importance in terms of sustainability in the medium/long-term period of the activities of the Company) are correctly identified, measured, managed and monitored in line with business management consistent with the identified strategic objectives;



- (ii) assessed, periodically and at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the characteristics of corporate activities;
- (iii) approved the work plan drawn up by the internal audit manager, after review by the director in charge of the internal control and risk management system Luca Pelosin (**Director in charge**);
- (iv) described, in the Corporate Governance and Ownership Structure Report, the main features of the Internal Control and Risk Management System, expressing an evaluation of its adequacy;
- (v) assessed, having consulted the Board of Statutory Auditors, the results presented by the Independent Audit Firm.

In the exercise of these functions, the Board of Directors shall be supported by the Supervisory Director and the Control, Risks and Related Parties Committee.

On July 22, 2015, the Board of Directors approved the guidelines of the Executive Officer Responsible for the preparation of corporate accounting documents in compliance with Law 262/05, together with the procedure for collecting the related internal representations on behalf of the companies of the FILA Group.

During 2017, the Issuer completed the drafting and formalization of the corporate procedures to ensure compliance with the relevant applicable legislation.

At the Reporting date, the company:

- obtained ISO 14001 certification: 2015
- has obtained the following certifications:
  - The Forest Stewardship Council (FSC) international chain of custody certification for processors and/or traders of forest products, which seeks to ensure appropriate forest management and traceability of derivative products;
  - The Programmed for the Endorsement of Forest Certification (PEFC) which certifies, among other aspects, the traceability of processed and commercialized timber products coming from certified forests by verifying their chain of custody;
  - The OHSAS 18001 certification which is based on voluntary application, within the organization, of a system which guarantees adequate control regarding the Security and Health of Workers, as well as compliance with the regulations in force;
- has adopted the Ethics Code and the Organizational and Management Model, with reference to the prevention of offences under Legislative Decree No. 231/01, on appointment of and conferment of the powers of the supervisory board of the Issuer, in accordance with the resolutions passed by the Board of Directors of the Issuer on July 22, 2015;
- completed the Group risk assessment, identifying the risks as per the defined model.

- Updated the 231/01 Model following the introduction of the new offenses.

### **Main characteristics of the internal control and risk management system in relation to the financial reporting process**

One of the main elements of the Internal Control and Risk Management System is the internal control of the financial reporting process. This aims to ensure integrity, accuracy, reliability and timeliness in the preparation and communication of disclosure (including financial).

During the Reference Year, the internal control and risk management system was structured and strengthened. This process comprised the following macro-elements:

- definition and updating of the procedures and risk control matrices for each business process for each company falling within the consolidation scope of the companies;
- identification of corrective actions, follow-ups and reporting - definition and sharing of corrective actions with the management, assessment of the effective implementation of the same, preparation of reports to the Executive Officer for financial reporting and for the supervisory and control bodies;
- updating of Model 262 and related documentation, on the basis of corporate, organizational and procedural changes made.

The methodology followed for designing and for carrying out checks concerning the Model 262 were in line with best international practice and shall ensure full traceability in its implementation.

With reference to the identification and assessment of financial reporting risks, the Issuer carries out its analyses and audit activities on subsidiaries with levels of revenue and balance sheet assets in excess of a threshold of predefined materiality, as well as on the management of intercompany transactions. Following qualitative considerations, routine analyses and audits are performed also on other subsidiaries, regardless of their quantitative contribution to the consolidated financial statements.

The risks, measured and evaluated according to best practices in the field of international risk assessment, cover the operational processes relating to general accounting entries and the estimates and financial statement declarations, with a view to prevent errors of accuracy and completeness and to prevent fraud. The assessment of the 'inherency' of the risks is qualitative and is performed both with regard to the materiality and the nature of the accounting entries and with regard to the frequency of the operational processes.

In relation to the identification and the assessment of controls for identified risks, Model 262 considers preventive, investigative and second level controls on processes relating to accounting entries and on the estimates. The assessment of the adequacy and effectiveness of controls to mitigate risks shall be qualitative, based on the outcome of the checks carried out in the course of the 262 Model monitoring activities.

The monitoring activities were concentrated on the operational processes relating to the material accounting items, which are identified annually via a preliminary scope analysis. In addition, ad-hoc checks were carried out on activities relating to accounts closures and consolidation entries, which the company documented and which were allocated in

terms of responsibilities and authorized via a dedicated computer program in order to guarantee completeness and accuracy of information.

The Executive Officer and the Internal Audit Manager report periodically to the Control, Risks and Related Parties Committee, the Board of Statutory Auditors and to the Director in charge and, to the extent of its remit, to the Supervisory Board concerning the management of the 262 Model, expressing an assessment of the adequacy of the administrative and accounting control system and corrective actions to be implemented.

On March 20, 2019, the Board of Directors approved the changes to the internal control and risks management system in relation to the requirements of the business, as well as its efficiency, based on the periodic report received from the Director in charge of the Internal Control and Risks Management System, of the Control, Risks and Related Parties Committee, of the internal audit manager, of the Supervisory Board and of the Board of Statutory Auditors.

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

During the meeting of the Board of Directors of April 27, 2018, Director Luca Pelosin was appointed Director in charge of the creation and maintenance of an effective internal control and risk management system.

The activity of the Control, Risks and Related Parties Committee and the internal audit activity undertaken in the Reference Year enabled the Director in charge to maintain a suitable level of updating of the principal risks relating to the main business processes of the Group, taking into account the activities undertaken by the Company. These risks were brought to the attention of the Board, through the periodic reports prepared by the internal audit department.

Based on the results of the risk assessment activities undertaken by the Parent Company, where necessary, the procedural framework was updated and changes were made to the internal control system, ensuring overall compliance with legislative and regulatory requirements and an efficient and effective system in line with operating conditions.

During the meeting of February 15, 2019, the Board of Directors of the Company, with the support of the Director in charge and the internal audit manager, and after consultation with the Board of Statutory Auditors, approved the 2019 audit plan.

### **11.2 INTERNAL AUDIT DEPARTMENT MANAGER**

Following admission of the shares of the Company to trading on the STAR segment, the Issuer's Board of Directors, by motion of November 13, 2015, with the favourable opinion of the Control and Risks Committee and the Board of Statutory Auditors, resolved to implement a general inspection of the internal control structure and functionality of FILA and, therefore, to establish the Internal Audit function, outsourcing the Key Advisory S.r.l. to Massimiliano Rigo as the Internal Audit Manager. On December 13, 2018, the Board

of Directors, with the prior favourable opinion of the Control, Risks and Related Parties Committee, approved the conferment of the Internal Audit function to the company Key Advisory S.r.l., also confirming the appointment of Mr. Massimiliano Rigo as the Internal Audit Manager.

During the Reference Year, the internal audit manager:

- prepared the audit plan which was presented to the Board of Directors meeting of February 15, 2019, with prior review by the Control, Risks and Related Parties Committee and the Director Appointed;
- prepared and carried out, in line with the audit plan, direct and specific control activities within the Issuer and of the most significant Group companies, in order to uncover any deficiencies in the Internal Control and Risk Management System in the various risk areas;
- verified, on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the Internal Control and Risks Management System;
- verified in the audit plan the reliability of the IT accounting systems, including accounting systems;
- had prepared periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with the plans for their containment, for the purposes of the appropriateness of the internal control and risk management system;
- had sent the reports as per the above point to the Director in charge, to the Chairman of the Board of Statutory Auditors, to the Chairman of the Control, Risks and Related Parties Committee and, where required by the events under review, to the Chairman of the Board, in addition to the Supervisory Board.

In particular, the internal audit manager, during the Reference Year, carried out the verifications on the internal control and risk management system, in line with the audit plan and undertaking the follow up activities (in particular with reference of the controls in compliance with the provisions of Law 262/2005 and Legislative Decree 231/2001).

In addition, during the Reference Year, the results of the audit activities were analysed, discussed and shared, between the internal audit department, the head of the processes/departments involved from time to time and management of the company in order to agree upon and undertake appropriate preventative/corrective action, whose realization was constantly monitored until their complete execution. The internal audit manager presented his report on a quarterly basis to the Director in charge, to the Chairman of the Board of Directors, to the Chairman of the Control, Risks and Related Parties Committee, to the Chairman of the Board of Statutory Auditors, as well as the Supervisory Board and the Executive Officer in relation to the issues concerning them.

The Internal Audit manager, in the undertaking of his activities, had access to all information for the execution of his duties.

The remuneration of the internal audit manager was determined in accordance with company policies. The Board ensures that the internal audit manager has adequate resources for the undertaking of his duties.

### **11.3 ORGANIZATIONAL MODEL AS PER LEGISLATIVE DECREE 231 OF 2001**

The Issuer's Board of Directors, at its meeting of July 22, 2015, resolved to adopt for the purposes and effects of Legislative Decree No. 231/01 the Organizational, Management and Control Model comprising the Ethics Code, the General Part, the Special Parts and the Governance System and on July 18, 2017 and August 3, 2018 updated the model for the inclusion of new offences contained in the regulation.

The Model provides for policies and measures to guarantee the performance of activities in accordance with law and to identify and eliminate situations of risk, as well as for a system of prevention designed to mitigate offence risk that is consistent with the organisational structure and with best practice.

The 231 Model comprises a General Section and 10 Special Sections.

In particular, the Special Sections clarify the nature and the possible ways of committing the types of Relevant Offenses identified in the Risk areas, as well as the specific organizational controls implemented to prevent their commission.

Forming an integral part of the Model are the following documents attached thereto: (i) the Supervisory Board Regulation; (ii) the Governance System and (iii) the Ethics Code.

The Ethics Code is an integral part of the Model. It sets ethical principles and prescriptive rules of conduct for employees and other recipients, contributing to establish an appropriate control environment to ensure that the Issuer's activity is always based on the principles of fairness and transparency and to reduce the risk of the offenses covered under Legislative Decree No. 231/2001.

The requirement for exemption from administrative liability has led to the establishment of a Supervisory Board within the Issuer, which has independent powers of initiative and control, with the task of (i) monitoring the effectiveness of the model, which is embodied in the verification of consistency between actual conduct and the model established; (ii) conducting the examination of the adequacy of the model, or rather its real capacity to prevent, in principle, undesirable conduct; (iii) carrying out an analysis of the maintenance over time of the soundness and functionality of the Model; (iv) ensuring the necessary dynamic update of the Model, through the formulation of specific suggestions, in the event that analyses performed require corrections and adjustments; (v) carrying out the so-called "follow-up", or rather verifying the implementation and the functionality of the solutions proposed.

The Supervisory Board, in office until the approval of the financial statements at December 31, 2020, was appointed by the Board of Directors of April 27, 2018, and comprises three members, in the persons of Adv. Perrone, as external member and Chairman, Adv. La Rocca, as external member and Mr. Rigo, as external member and Internal Audit Manager of the Issuer.

On March 20, 2019, Mr. Rigo, as a member of the Supervisory Board, presented a report to the Board of Directors on the controls and checks performed in the reference Year and their outcome.

The Supervisory Board, during the Reference Year, met six times, in addition to holding meetings for training purposes.

The offenses covered by the Issuer's model are in line with current law.

The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.

The Ethics Code is available in the Governance section of the website of the Issuer at [www.filagroup.it](http://www.filagroup.it).

#### **11.4 INDEPENDENT AUDIT FIRM**

On February 20, 2015, the Shareholders' Meeting of Space, *inter alia*: (i) approved, pursuant to Article 13 of Legislative Decree No. 39/2010 and Article 7 of the Regulation adopted with Ministerial Decree No. 261/2012, the mutual resolution of the audit appointment conferred to Reconta Ernst&Young with motion of October 9, 2013, following signing of a private agreement in relation to the resolution of the audit appointment by Space and Reconta Ernst&Young; and (ii) simultaneously conferred a new audit appointment to KPMG S.p.A. for a period of 9 years (from 2015 to 2023) pursuant to Article 13 of Legislative Decree No. 39/2010, with effect from the Effective Merger Date.

Therefore, from the Effective Merger Date, the statutory audit is undertaken by KPMG S.p.A. for the years 2015-2023.

#### **11.5 EXECUTIVE OFFICER FOR FINANCIAL REPORTING**

In accordance with Article 16 of the By-laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for financial reporting pursuant to Article 154-*bis* of the CFA, providing him with adequate means and powers to carry out the role.

On April 27, 2018, the Board of Directors of the Issuer appointed, with prior approval of the Board of Statutory Auditors, Mr. Stefano De Rosa (employee of the Issuer and Chief Financial Officer of the FILA Group) as the Executive Officer for financial reporting pursuant to Article 154-*bis* the CFA.

The Executive Officer for financial reporting must be of a professional standard such as to have qualified experience of at least three years in the exercise of administration and control activities, or in executive or consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate

documents. The Executive Officer must also meet the requirements of good standing as provided for auditors by the applicable legal provisions.

On appointment, the Board assigned to the Executive Officer all the necessary powers and means for the execution of duties in accordance with Article 154-*bis* and subsequent of the CFA.

## **11.6 CO-ORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The coordination procedures put in place by the Issuer between the different parties involved in the internal control and risk management system guarantee an efficient and effective coordination and sharing of information between the bodies involved. In particular:

(i) the internal audit manager Mr. Massimiliano Rigo must maintain periodic communication with the corporate boards and supervisory or oversight functions of the internal control and risk management system, such as the Executive Officer for financial reporting, the Supervisory Board pursuant to Legislative Decree 231/01 (of which Mr. Rigo is a member) and the Audit Firm, each within their own remit and responsibility;

(ii) the participation of the Internal Audit Manager at the meetings of the Supervisory Board and the Control, Risks and Related Parties Committee permits the Internal Audit department to maintain adequate visibility over the business risks within the FILA Group and of problems arising and to bring them to the attention to the different supervisory and oversight functions;

(iii) the Board of Statutory Auditors maintains periodic communication with the Board of Directors and the Control, Risks and Related Parties Committee. In particular, at least one member of the Board of Statutory Auditors always attends the meetings of the Control, Risks and Related Parties Committee;

(iv) also the members of the Supervisory Board other than Mr. Rigo may attend, on invitation, the meetings of the Board of Directors and the Control, Risks and Related Parties Committee, reporting half-yearly on the activities undertaken;

(v) the Audit Firm participates, on invitation, at the meetings of the Control, Risks and Related Parties Committee in order to remain updated on the activities and on the resolutions of the Committee, as well as to report upon the planning and results of the audit activities.

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

### **12.1 RELATED PARTY TRANSACTIONS POLICY**

The Issuer applies the Related Party Transactions Policy, ensuring transparency and substantial and procedural correctness.

For the content of the Related Party Transactions Procedure, reference should be made to the documentation available at the Issuer's website at [www.filagroup.it](http://www.filagroup.it), Governance section.

The company has not adopted any specific operating solutions for the identification and appropriate management of situations in which a director holds an interest on his/her own behalf or on behalf of third parties, considering that the Related Party Transactions Policy and the general director responsibility principles are sufficient.

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

In accordance with Article 17 of the By-Laws, the Board of Statutory Auditors is comprised of 3 statutory auditors and 2 alternate auditors, appointed by the Shareholders' Meeting on the basis of slates presented by shareholders.

Slates for the election of statutory auditors may be presented by shareholders who, at the time of presentation of the slate, hold - alone or together with other shareholders - a shareholding that is at least equal to that determined by Consob in accordance with applicable laws and regulations. Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

Slates are filed at the registered office in accordance with applicable law, at least twenty-five days prior to the date of the Shareholders' Meeting called to approve the election of the statutory auditors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates must include the names of one or more candidates for the position of auditor and one or more candidates for the position of alternate auditor. The names of the candidates are divided between each section (standing statutory auditors section, alternate statutory auditors section) with a progressive number and in any event with a number not exceeding the board members to be elected. The slates, if they contain, in both sections, a number of candidates equal to or greater than 3, must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for statutory auditors and alternate auditors, complies with the legal and regulatory provisions that are in force in relation to gender equality (male and female), provided that if the application of the criterion for the gender equality quota does not result in a full number, this should be rounded up to the next unit.

The following documents must be attached to each slate, at the risk of ineligibility: (i) information on the identity of shareholders who have presented them, with an indication of the total percentage of shares held; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or majority shareholding, attesting to the absence of any relationship with these latter in accordance with applicable law; (iii) detailed information about the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying that they meet the statutory requirements, and acceptance of the candidature, accompanied by a list of administrative and control positions held with other companies; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

Each shareholder, shareholders who belong to the same group of companies, as well as shareholders involved in a shareholders' agreement in accordance with Art. 122 of Legislative Decree No. 58/1998, may not present or participate in presenting, even through a nominee or trust company, more than one slate nor can they vote for differing



slates; in addition, each candidate may be present in only one slate, at the risk of ineligibility.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The Statutory Auditors are elected as follows: (i) from the slate that obtained the largest number of votes (**Majority Slate**) taken in the progressive order in which they appear in the slate, 2 (two) statutory auditors and one alternate auditor; (ii) from the slate that obtained the second largest number of votes and are not connected, even indirectly, with the shareholders who presented or voted for the Majority Slate in accordance with the applicable provisions and taken in the progressive order in which they appear on the slate, the third statutory auditor will be chosen (**Minority Statutory Auditor**), who will chair the Board of Statutory Auditors, and the second alternate auditor (**Minority Alternate Auditor**). Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

Where the result of voting does not satisfy the applicable gender equality law and regulations that are in force (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number), the candidate for the office of standing or alternate auditor from the most represented gender elected as last in progressive order from the Majority Slate will be excluded and will be replaced by the next candidate for the office of standing or alternate auditor from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the standing auditors and alternate auditors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations, which includes rounding up where necessary in relation to the underrepresented gender.

The standing auditors are appointed for a period of three years (and may be re-elected), which expires on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the final year in office.

Subject to compliance with legal and regulatory provisions relating to gender equality in the cases where, for whatever reason, (i) the Majority Slate standing auditor resigns, this office shall fall to the alternate auditor from the Majority slate, (ii) the Minority Standing Auditor resigns, this latter is replaced by the Minority Alternative Auditor. If, for whatever reason, it is not possible to proceed as indicated above, the Shareholders' Meeting must be called in order to supplement the Board through statutory majority, without the application of slate voting, subject to compliance with the applicable law and regulations in relation to the gender equality quotas.

In the absence of slates, or where it is not possible for whatever reason to appoint the Board of Statutory Auditors with the procedures provided for in this Article, the three

standing auditors and the two alternate auditors will be appointed by the shareholders' meeting through the majority provided for by law, in accordance with the laws and regulations in force also in relation to the gender equality quota (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number).

**14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) CFA)**

With the approval of the 2017 financial statements by the Shareholders' Meeting of Fila, the mandate of the Board of Statutory Auditors appointed with the motion of July 22, 2015, came to a natural conclusion<sup>22</sup>. Therefore, the shareholders' meeting called to approve the 2017 financial statements, appointed the Board of Statutory Officers currently in office.

On April 27, 2018, the Shareholders' Meeting of the Issuer appointed the following members to the Board of Statutory Auditors of the company:

Office held	Name	Date of appointment
Chairman	Gianfranco Consorti	April 27, 2018
Standing Auditor	Pietro Michele Villa	April 27, 2018
Standing Auditor	Elena Spagnol	April 27, 2018
Alternate Auditor	Stefano Amoroso	April 27, 2018
Alternate Auditor	Sonia Ferrero	April 27, 2018

The members of the current Board of Statutory Auditors were appointed on the<sup>[OBJ]</sup> basis of the slate filed by the shareholder Pencil (which obtained 37,818,196 votes, equal to 87.835% of voting rights represented in the Shareholders' Meeting and 69.435% of the total votes exercisable on that date) and the slate filed jointly by a grouping of shareholders formed by the asset management company and other investors<sup>23</sup>, (which

<sup>22</sup> The Board of Directors in office up to April 27, 2018, the date of the approval of the 2017 financial statements, comprised: Claudia Mezzabotta (Chairperson), Stefano Amoroso and Pietro Michele Villa (statutory auditors).

<sup>23</sup> These are Amber Capital Italia SGR S.p.A., manager of the Alpha Ucits Sicav-Amber Equity fund; Aletti Gestielle SGR S.p.A., manager of the Gestielle Pro Italia fund; Amundi Asset Management SGR S.p.A., manager of the following funds: Amundi Dividendo Italia, Amundi Obiettivo Crescita 2022 Due, Amundi Obiettivo Crescita 2022, Amundi Obiettivo Risparmio 2022 Due, Amundi Obiettivo Risparmio 2022 Quattro, Amundi Obiettivo Risparmio 2022 Tre, Amundi Obiettivo Risparmio 2022, Amundi Valore Italia Pir, Amundi Sviluppo Italia and Amundi Risparmio Italia, Arca Fondi S.G.R. S.p.A., manager of the following funds: Arca

obtained 5,234,729 votes, equal to 12.158% of voting rights represented in the Shareholders' Meeting and 9.611% of the total votes exercisable on that date).

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called for the approval of the 2020 Annual Accounts.

For further information on the slates filed for the appointment of the Board on April 27, 2018, reference should be made to the website of the Company [www.filagroup.it](http://www.filagroup.it), in the Governance Section, where the complete slates presented by the shareholders and the professional curriculum vitae of each statutory and alternate auditor are available.

The table below reports the current members of the Board of Statutory Auditors.

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Economia Reale Bilanciato Italia 30, Arca Economia Reale Equity Italia and Arca Azioni Italia; Eurizon Capital SGR S.p.A., manager of the following funds: Eurizon Progetto Italia 20, Eurizon Pir Italia 30, Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon Pir Italia Azioni, Eurizon Azioni Pmi Italia and Eurizon Progetto Italia 40; Eurizon Capital S.A., manager of the following funds: Eurizon Fund - Equity Italy and Eurizon Fund - Equity Small Mid Cap Italy; Fideuram Investimenti SGR S.p.A., manager of the following funds: Piano Azioni Italia, Piano Bilanciato Italia 30 and Piano Bilanciato Italia 50; Mediolanum Gestione Fondi SGR S.p.A., manager of the following funds: Mediolanum Flessibile Futuro Italia; Mediolanum International Funds - challenge funds - Challenge Italian Equity; Zenit SGR S.p.A., manager of the following funds: Zenit Obbligazionario and Zenit Pianeta Italia.

**Board of Statutory Auditors**

<i>Office</i>	<b>Members</b>	<b>Year of birth</b>	<b>Date of first appointment *</b>	<b>In office until</b>	<b>Slate **</b>	<b>Ind. Code</b>	<b>Attendance at Board meetings ***</b>	<b>No. of other offices ****</b>
Chairman	Consorti Gianfranco	1950	April 27, 2018	App. Accounts 2020	m	X	10/10	12
Standing Auditor	Villa Pietro Michele	1967	July 22, 2015	App. Accounts 2020	M	X	19/19-	13
Standing Auditor	Spagnol Elena	1968	April 27, 2018	App. Accounts 2020	M	X	10/10	12
Alternate Auditor	Amoroso Stefano	1964	July 22, 2015	App. Accounts 2020	M	X	9/9	
Alternate Auditor	Ferrero Sonia	1971	July 22, 2015	App. Accounts 2020	m	X	none	

-STATUTORY AUDITORS RESIGNING DURING THE YEAR-

Chairman	Mezzabotta Claudia	1970	July 22, 2015	April 27, 2018	m	X	9/9	
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**Number of meetings held in the Reference Year: 19**

**Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Article 148 *ter* CFA): 2.5%**

**NOTE:**

\* The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

\*\* This column indicates the slate from which each Statutory Auditor originated ("M": majority slate; "m": minority slate).

\*\*\* This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

\*\*\* This column indicates the number of offices of director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Issuers' Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144- quinquiesdecies of the Consob Issuers' Regulations.

Pursuant to Article 18 of the By-Laws, the meetings of the Board of Statutory Auditors may be held in different locations through audio or video links, on the condition that: (i) the Chairman of the meeting may ascertain the identity and right to attend of all present, govern the business of the meeting, in addition to verify and declare the voting results; (ii) the minutes-taker is able to adequately note all the matters pertaining to the meeting; (iii) attendees may participate in the discussions and vote simultaneously on the matters on the Agenda, as well as view, receive or transmit documentation. If all the above-mentioned conditions are complied with, the meeting shall be deemed to have been held in the place where the Chairman is present and where the secretary of the meeting must be present, to permit the minute-taking of the meeting.

The Board of Statutory Auditors met 19 times during the Reference Year. The Board of Statutory Auditors met 9 times up to April 27, 2018, the mandate conclusion date of the Board previously in office, and 10 times after the new Board's appointment. The average participation of the statutory auditors in the meetings was 100%.<sup>24</sup> The average duration of meetings was approximately 2.5 hours. The Board of Statutory Auditors also participated in the induction activities carried out in the Reference Year, concerning the Pacon Group Acquisition project and the Share Capital Increase, as better described in section 4.2.4 of this Report.

For 2019, at least 8 meetings of the Board of Statutory Auditors are scheduled, in addition to those already held on January 15, January 29, February 19 and March 15.

In the meeting of February 19, 2019, the Board of Statutory Auditors assessed the independence of its members, already assessed on appointment, and also in accordance with the requirements for independence for Directors by the Self-Governance Code. The outcome of these assessments was positive and was subsequently sent to the Board of Directors which communicated it to the market. The Board of Statutory Auditors assessed that all its members are in possession of the requirements of professionalism, expertise, good standing and independence required by law and the Self-Governance Code.

The Board of Statutory Auditors reviewed and shall review the independence of the Audit Firm, ensuring compliance with regulatory provisions, and the nature and extent of the various services provided to the Issuer and its subsidiaries by the Audit Firm and its network.

The Board constantly maintained normal coordination activities with the Control, Risks and Related Parties Committee, the Internal Audit Department and the Supervisory Body. For information on the manner of the coordination reference should be made to paragraph 11.6.

Legislative Decree No. 39/2001 ("Implementation of EU Directive No. 43/2006, relating to the audit of separate and consolidated annual accounts, which modifies EU Directive

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<sup>24</sup> The percentage refers to the attendance (i) of three statutory auditors in office (Claudia Mezzabotta, Stefano Amoroso and Pietro Michele Villa) at 9 meetings held up to April 27, 2018 (excl.), (ii) of three statutory auditors in office (Gianfranco Consorti, Pietro Michele Villa and Elena Spagnol) at 10 subsequent meetings.

78/660 and EU Directive 83/349, and which revokes EU Directive 84/253) attributed to the Board of Statutory Auditors the functions of the Internal Control and Audit Committee and, in particular the oversight functions on (i) the financial reporting process; (ii) the efficiency of the internal control system, internal audit, where applicable, and risk management; (iii) the audit of the separate and consolidated annual accounts; (iv) the independence of the Audit Firm, in particular in relation to non-audit services by the party providing audit services.

For the entire duration of the admission to trading of the company's shares on an Italian regulated market, the Board of Statutory Auditors in addition exercises all other duties and powers established by the special laws; with regards to mandatory reporting, the directors are required to report on a quarterly basis, in accordance with Article 150 of the CFA.

The Chairman of the Board of Directors ensured that the Statutory Auditors received adequate information on the sector in which the Issuer operates, on the business operations and their performances, of the principles of correct risk management as well as the relative regulatory framework. In particular, during the Board meetings held at the headquarters of the company, the Directors regularly received detailed information on the sector in which the Issuer undertakes its activities, in order to fully understand the underlying business operations and the relative developments during the year.

The remuneration of the Statutory Auditors shall be commensurate with the commitment required, the importance of the role covered, in addition to the size and sector of the company.

The Issuer does not provide a specific obligation for the Statutory Auditors to promptly inform the other members of the Board of Statutory Auditors and the Chairman of the Board on the nature, terms, origin and size of their interest, where the Statutory Auditor have, on their own behalf or on behalf of third parties, an interest in a transaction of the Issuer; this is due to the fact that the Issuer considers that this disclosure information a normal duty for the parties which hold the position of statutory auditor.

In accordance with the By-Laws, the Chief Executive Officer, during the Reference Year, reported adequately and promptly to the Board of Statutory Auditors on the activities undertaken, on the general operating performance and outlook, as well as on major operations for their size or nature by the Issuer and its subsidiaries, in accordance with the provisions of law and the By-Laws, and therefore on a quarterly basis.

#### **Diversity criteria and policies**

On February 19, 2019, the Board of Statutory Auditors completed the self-assessment process, following which it informed the Board of Directors that it considered itself to be, in its entirety, suitable to cover the office entrusted to it with reference to its members possessing the requirements of professionalism, good standing, expertise and independence required by law and by the Self-Governance Code and, furthermore, that it considered the Board's composition to also be suitable with respect to its members' experience, gender composition and age.

The members of the Board of Statutory Auditors also confirmed that they have the time and suitable resources to dedicate to the performance of the office in the company.

With regard to the new provision of Article 123-bis, paragraph 2, letter d-bis of the CFA, concerning diversity policies applied to the administration and control boards, the Board of Directors' meeting of March 20, 2019, decided not to adopt any policy, given that statutory, legal and regulatory provisions, including the Self-Governance Code, in addition to the practice adopted by the shareholders of the company on nominating the members of administration and control boards, already ensure a satisfactory composition of such boards with regard to aspects such as age, gender composition and training and professional backgrounds.

With particular reference to gender diversity, it should be noted that gender quota requirements for statutory auditors provided by Article 148, paragraph 1-bis CFA - which determines that the under-represented gender must form at least a third of elected statutory auditors - has been fully applied with reference to the composition of the Board of Statutory Auditors in office, as established during the Shareholders' Meeting of April 27, 2018. In fact, a third of the statutory auditors and half the alternate auditors currently in office are comprised of auditors from the under-represented gender, in accordance with application criterion 8.C.3 of the Self-Governance Code.

Furthermore, the company shall also be subject to Article 148, paragraph 1-bis CFA when nominating the Board of Statutory Auditors, to be appointed after the mandate of the Board currently in office concludes (and, therefore, at the date of the Shareholders' Meeting for the approval of the financial statements at October 31, 2020). In this meeting, FILA shareholders shall be called to appoint the third Board of Statutory Auditors of the company since the listing date and therefore, the gender diversity rule provided by Article 148, paragraph 1-bis CFA, as introduced by Law No. 120 of July 12, 2011, shall still be applicable. As envisaged by the Self-Governance Code, gender diversity criteria required by Article 8.P.2 of the Code should only be applied as from the first mandate subsequent to the termination of the effects of Law No. 120 of July 12, 2011. At the reporting date, the need to adopt the above-mentioned criteria while the law in question is still in force was not, therefore, envisaged.

## **15. RELATIONS WITH SHAREHOLDERS**

The disclosure upon relations with shareholders is ensured by making available the most relevant corporate documents in a timely and continuous manner on the Issuer's website [www.filagroup.it](http://www.filagroup.it) in the 'Investors', 'Governance' and 'Pressroom' sections and, where required by the applicable regulations, in the authorized storage mechanism at "*eMarket Storage*" [www.emarketstorage.com](http://www.emarketstorage.com).

In particular, all press releases issued to the market and the Issuer's periodic financial reports are available on the above-mentioned website as soon as they have been approved by the relevant bodies (annual report, interim report, quarterly report).

Also available on the aforementioned website are the main Corporate Governance documents.



On June 4, 2015, the Board of Directors appointed Stefano De Rosa as *Investor Relations Officer* of FILA (contact: ir@fila.it), for the maintenance of relations with shareholders and institutional investors and to undertake any specific tasks for the management of price sensitive information and relations with CONSOB and Borsa Italiana.

The Board of Directors will assess the implementation of any further initiatives to ensure shareholders more timely and straightforward access to essential information upon the Issuer.

## **16. SHAREHOLDERS' MEETING (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER C), OF THE CFA) 61**

### **16.1 SHAREHOLDERS' AGM CALL**

Pursuant to Article 9 of the by Laws, the Shareholders' Meeting for the approval of the financial statements must be called by the Board of Directors at least once a year, within one hundred and twenty days from the end of the year or, in the cases provided for by Article 2364, paragraph 2, of the Civil Code, within one hundred and eighty days from the end of the year, pursuant to the provision of Article 154-*ter* of the CFA.

The Shareholders' Meeting may be called in Italy, including outside the municipality of the company's registered office, or in another European Union country or Switzerland.

The Shareholders' Meeting is called in accordance with the terms prescribed by current regulations, with notice published on the internet site of the Company as well as the other methods required by law and applicable regulations, and contains the information required by current regulations also based on the matters on the Agenda.

As per Article 126-*bis* of the CFA, shareholders who represent, even jointly, at least one-fortieth of the share capital may request - except for matters within the remit of the Board or based on projects or a report prepared by them - within ten days of publication of the Call Notice, or within five days in the case of calling as per Article 125-*bis*, paragraph 3, of the CFA or Article 104, paragraph 2, of the CFA, a supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or present proposals on matters already on the Agenda. Shareholders requesting supplementation to the Agenda should draw up a Report outlining the reasons for the proposal of new matters to be added to the Agenda or the reasoning concerning further proposals to be presented on matters already on the Agenda and present such to the Board of Directors by the deadline for the presentation of requests for supplementation.

In accordance with Article 2367 of the Civil Code, the Directors must call without delay the Shareholders' Meeting where such request is made by shareholders representing at least one-twentieth of the share capital.

Pursuant to Article 127-*ter* of the CFA establishes that shareholders may submit questions on the matters on the Agenda, also before the Shareholders' Meeting. For questions submitted before the Shareholders' Meeting, responses will be made, at the latest, during the Meeting itself. The company may provide a single reply to questions with the same subject matter. The call notice indicates the deadline by which questions submitted before the Shareholders' Meeting should reach the company. The deadline may not be more than three days in advance of the Shareholders' Meeting in first or single call, or five days where the call notice establishes that the company provides, before the Shareholders' Meeting, a response to the questions received. In this case, the responses

are provided at least two days before the Shareholders' Meeting, also through publication in a separate section of the company website.

## **16.2 RIGHT TO ATTEND SHAREHOLDERS' MEETINGS**

As per Article 10 of the By-Laws, those with voting rights have a right to attend the Shareholders' Meeting.

The right to attend the Shareholders' Meeting and the right to vote is verified by a notice to the company, effected by the authorised intermediary in accordance with law, based on the accounting records at the end of the seventh trading day prior to the date fixed for the Shareholders' Meeting in single call, and submitted to the company in accordance with law.

Those who have the right to vote in the Shareholders' Meeting can be represented by a proxy in accordance with law. Electronic notification of proxy may be made, in the manner indicated in the call notice, by sending a message addressed to the certified email address indicated in the notice itself or by using the appropriate section of the Company's website.

For each Shareholders' Meeting, the company may designate, through notification in the call notice, a person to whom shareholders can confer proxy, with voting instructions on all or some of the proposals on the agenda, in the terms and manner provided by law.

## **16.3 PROCEDURES FOR SHAREHOLDERS' MEETINGS**

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, or in such absence or impediment or at the request of the Chairman himself, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected). The Chairman shall be assisted by a Secretary elected on his proposal by majority of those present. In the Extraordinary Shareholders' Meeting and, in any case, when the Chairman considers it appropriate, the functions of the Secretary shall be carried out by a Notary appointed by the Chairman.

For the valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and resolutions thereof, the legal and statutory provisions are applied. For the purposes of the quorum required by law and the present By-Laws for the constitution of the Ordinary and Extraordinary Shareholders' Meeting for the validity of the relative resolutions, reference is made to the number of votes attached to the shares and not to the number of shares.

The Shareholders' Meeting takes place in single call.

The Shareholders' Meeting may be held in several locations, via audio/video link, on the condition that a collective approach is taken and the principles of good faith and of equal treatment of shareholders are upheld and, in particular, provided that: (a) the Chairman of the Shareholders' Meeting may (i) ascertain the identity and right to attend of all present, (ii) govern the business of the meeting, in addition to (iii) verify and declare the voting results; (b) the minutes-taker is able to adequately note all the matters pertaining to the Shareholders' Meeting; (c) attendees may participate in the discussions and vote simultaneously on the matters on the Agenda; (d) this method is contained in the call notice of the Shareholders' Meeting which also indicates the locations. The meeting shall be considered to have been held in the place where there are, simultaneously, the Chairman and the person taking the minutes.

Pursuant to Article 7 of the By-Laws, shareholders may withdraw in accordance with the mandatory cases provided for by law.

The opposition of Shareholders to motions regarding the extension of the duration of the company or the introduction or the removal of provisions concerning the circulation of shares does not constitute a right to withdrawal. The liquidation value of the shares is determined in accordance with Article 2347-*ter* of the Civil Code.

As per Article 20 of the By-Laws, the net profit for the period, excluding the five per cent share allocated to the legal reserve until the reaching of one-fifth of the share capital, is divided among the shareholders, as resolved by the Shareholders' Meeting.

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The Shareholders' Meeting of the Issuer adopted the Shareholders' Meeting regulation approved on October 15, 2013 by the Shareholders' Meeting of Space (available on the company website at [www.filagroup.it](http://www.filagroup.it), Governance section). This Shareholders' Meeting Regulation establishes, among other matters, that:

- (i) the Chairman (the Chairman of the Board of Directors or, in his/her absence or impediment the person designated by the Shareholders' Meeting) may adopt any provision considered appropriate to ensure the correct execution of Shareholders' Meeting business and the exercise of the rights of participants;
- (ii) the chairman conducts the discussion, giving the floor to directors, to statutory auditors and any parties so requesting. Those holding the right to vote and the bondholders' joint representative may request the floor on only one occasion for each matter on the agenda, making observations and requesting information. Those persons entitled to vote may also draw up proposals. Requests to contribute may be made from the constitution of the shareholders' meeting until the time at which the chairman has not declared the discussion of the matter closed. In order to ensure the orderly conduct of the meeting, the Chairman has the power to determine, at the opening of or during the discussion of individual matters, a deadline for the submission of requests to contribute. The chairman establishes the manner in which contribution requests are made and the order in which they are heard. The Chairman and, on his invitation, those assisting him respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the company. Those who have requested the floor have the right to a brief reply;
- (iii) before voting commences, the chairman readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- (iv) the chairman shall decide the order in which the proposals on the individual matters on the agenda are put to the vote, generally giving priority to those formulated by the Board of Directors.

Two Shareholders' Meetings were held during the Reference Year. Nine Directors attended the first meeting held on April 27, 2018. Six Directors attended the second

meeting held on October 11, 2018<sup>25</sup>. During these Shareholders' Meetings, the Board of Directors endeavoured to ensure that shareholders had all necessary information so that they could take, with sufficient knowledge, the decisions within the authority of a Shareholders' Meeting.

With regards to the rights of shareholders not outlined in this Report, reference should be made to the applicable *pro tempore* laws and regulations.

#### **17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

At the Reporting date, no additional corporate governance practices effectively applied by the Issuer outside of the obligations established by legislation or regulations exist.

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

Since the end of the Reference Year no changes have been made to the corporate governance structure.

#### **19. CONSIDERATIONS ON THE LETTER OF DECEMBER 21, 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

In the meeting of March 20, 2019, the letter sent by the Chairman of the Corporate Governance Committee to the Chairman of the Board of Directors, to the Chief Executive Officer and to the Chairman of the Board of Statutory Auditors of the company was brought to the attention of the Board of Directors.

In this meeting, the Board: considered the pre-board information received during the Year to be suitable on the whole, also taking account of the numerous corporate events which took place in the year, and submitted the adoption of a system for the sharing of the above information, ensuring timely and confidential transmission, as a point for improvement; (ii) considered to have given due attention to the application of Self-Governance Code criteria relating to the independence of the members of the Board of Directors and, in any case, committing itself to continue applying these criteria in the forthcoming years; with reference to the control board, we highlight that the Board of Statutory auditors carried out its own self-assessment by also applying the independence criteria indicated in the Self-Governance Code; (iii) it expressed its satisfaction regarding the manner in which the board review process was conducted; and finally (iv) it recalled that the Board had already initiated a wide-ranging process to re-design the company's remuneration policies which includes the proposal for the termination of the 2017-2019 Performance Shares Plan and the adoption of the new 2019-2021 Performance Shares Plan; these activities are aimed, inter alia, to ensure that the company's remuneration policies are continuously suitable for the pursuit of the company's sustainability objective in the medium/long-term.

The recommendations were also submitted to the Board of Statutory Auditors, to the extent of its competence.

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<sup>25</sup> Gianni Mion, Massimo Candela, Francesca Prandstraller, Annalisa Barbera, Gerolamo Caccia Dominioni and Filippo Zabban were in attendance. Luca Pelosin and Paola Bonini were justifiably absent, while Sergio Ravagli had already handed in his resignation.

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Milan, March 20, 2019

**F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.**

For the Board of Directors

Gianni Mion

Chairman